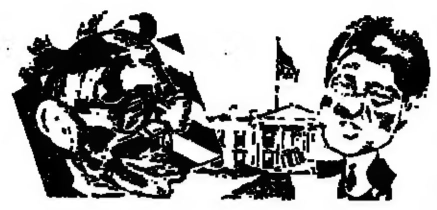

Major visits Clinton

Will the special relationship survive?

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Stormy weather

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NatWest

Balance sheet feels the strain

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FINANCIAL TIMES

Europe's Business Newspaper WEDNESDAY FEBRUARY 24 1993 D8523A

Handelsbanken suspends payout after heavy loss

Svenska Handelsbanken, Swedish bank, fell to a larger than expected 1992 operating loss of SKr840m ($112m) and suspended the dividend on its ordinary shares after lending losses surged 150 per cent to SKr8bn. The bank made a SKr2.78bn profit in 1991.

The deficit, the first in the group's recent history, came after a dramatic deterioration in the bank's performance in the final four months. Nevertheless, the result is better than that of its main competitors and the group said prospects for 1993 were brighter. Page 15

Italian PM seeks vote of confidence:

Italian prime minister Giuliano Amato will seek a vote of confidence later this week to force the four coalition parties publicly to support him after his weekend cabinet reshuffle. The move comes amid worries over waning enthusiasm for Mr Amato from elements within the Christian Democrat and Socialist parties, the two main elements of his fragile coalition. The lira fell further on foreign exchanges yesterday. Page 14; Currencies, Page 32

Unilever, Anglo-Dutch food and consumer products group, increased pre-tax profits 13 per cent last year to £2.03bn ($2.9bn) after recovery in North America and a strong performance in Latin America and Asia. Page 15; Lex, Page 14; Observer, Page 13

US sticks to aviation deal: The US is to stick to last July's agreement with the EC limiting government support for civil aviation industries in spite of President Bill Clinton's attacks on Airbus subsidies. Page 7

AT&T in Beijing venture: AT&T, US telecoms group, signed a memorandum of understanding with China for joint development of communications infrastructure. AT&T said the deal could lead to billions of dollars in revenues. Page 4; AT&T to take $400m stake in McCaw, Page 18

Delhi plans more reforms: India is to launch further economic reforms, including cuts in the government deficit and subsidies, closure of unviable state-owned enterprises and further exchange-rate liberalisation. Page 4

Nobel Industries of Sweden is selling its defence electronics activities to state-owned Celsius Industries in a SKr1.55bn ($204m) deal. The move came as Nobel's shares were suspended pending an announcement today. Page 15

Natwest lifts debt provision: A rise in National Westminster Bank's provisions for possible bad debts last year limited the UK clearing bank's rise in pre-tax profits to £405m ($589m) from £110m the previous year. Page 15

TV company plans 180 channels: A 180-channel satellite television system could be available over Europe by 1995 using digital technology, following the decision by Luxembourg-based Société Européenne des Satellites to launch two satellites with digital capacity. Page 8

Smithkline Beecham, Anglo-US drugs and consumer products group, reported full-year pre-tax profits up 11 per cent to £1.12bn ($1.6bn). Page 16; Lex, Page 14

Fall in US confidence shrugged off: The US economic outlook remains bright in spite of an eight-point fall in the consumer confidence index this month, economists said. Page 6

Fishermen step up protests: Brittany fishing ports were quiet last night after a day of violent clashes between police and fishermen who were protesting against the increase in imports of cheap fish into France. Page 14

Philips strengthens Grundig ties: Philips, Dutch electronics company, is to increase co-operation with Grundig, its German affiliate, which will be consolidated into Philips' accounts. Page 15

Kenya asks for aid: Kenya pressed the IMF to resume aid after floating its currency last week. An IMF delegation is in Nairobi to decide whether Kenya qualifies for aid worth $350m a year. Page 4

Manchester outmanoeuvres rivals: Manchester in the UK is to stage the world chess championship between Garry Kasparov and British challenger Nigel Short after a SFr2.538m ($1.77m) bid placed only minutes before the deadline. Page 14

STOCK MARKET INDICES

FT-SE 100:	2818.8	(−20.3)
Yield	4.29	
FT-SE Eurotrack 100	1119.41	(−13.35)
FT-A All-Share	1378.84	(−0.6%)
Nikkei	16,863.15	(+45.54)
New York: lunchtime		
Dow Jones Ind Ave	3347.31	(+4.32)
S&P Composite	436.03	(+0.79)

US LUNCHTIME RATES

Federal Funds:	2⅞%
3-mo Treas Bills: Yld	2.963%
Long Bond	103⅜
Yield	6.832%

LONDON MONEY

3-mo Interbank	6⅛%	(6¼%)
Liffe long gilt future:	Mar 103½	(Mar103½)

NORTH SEA OIL (Argus)

Brent 15-day April	$18.87	(18.59)

Gold

New York Comex Feb	$331.3	(329.1)
London	$329.7	(330.75)

STERLING

New York lunchtime:		
$	1.45815	
London:		
$	1.459	(1.45545)
DM	2.3625	(2.37)
FFr	7.9875	(8.04)
SFr	2.165	(2.1625)
Y	176.25	(169.25)
£ index	77.0	(77.2)

DOLLAR

New York lunchtime:		
DM	1.61715	
FFr	5.4885	
SFr	1.4877	
Y	118.825	
London:		
DM	1.6125	(1.6285)
FFr	5.475	(5.525)
SFr	1.4835	(1.5)
Y	118.85	(116.35)
$ index	65.8	(65.9)
Tokyo close Y 118.78		

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr160	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	Kcs45
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira20	Spain	Pts200
Czech Rp	Kcs45	Israel	Shk5.90	Norway	NKr16.00	Sweden	SKr15
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00
Finland	FM12	Korea	Won 2500	Philippines	Peso45	Thailand	Bht50
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Esc215	Turkey	L7000
						UAE	Dh11.00

Leading corporations plan 35,000 job cuts ■ Banks told to write off bad debts

Japan steps up action to aid recovery of economy

By Charles Leadbeater and Michiyo Nakamoto in Tokyo

THE JAPANESE government and three of the country's top companies yesterday separately took steps to respond to the most deep-seated economic crisis the country has faced since the second world war.

Nissan, one of the world's top five vehicle makers, and NTT, the telecommunications group, said they would between them shed 35,000 jobs over the next three years.

The job cuts came at the same time as the news that the board of Matsushita, the world's largest electronics group, had forced the resignation of its president.

The corporate shake-ups coincided with a decision by Mr Kiichi Miyazawa, the prime minister, and other top policymakers in the ruling Liberal Democratic party to draw up further measures to stimulate the economy.

These are likely to include bringing forward public works spending and tax incentives for housing and capital investment, once the budget for 1993 passes through parliament next month.

DOWNTURN IN JAPAN

Page 2

■ Japan holds its breath

■ Bank write-off urged

■ Matsushita chief quits

■ Currencies .... Page 32

■ World stocks .... Page 34

The move confirms that the government believes the economy is still deteriorating despite the Y10,700bn ($88.4bn) emergency package announced last summer.

The economic downturn has spread to embrace finance and industry in every region.

Gross national product grew at only 1.1 per cent in the third quarter of last year, over the same period in 1991. Machine tool orders last year fell by 37.8 per cent and industrial production generally fell by 6.1 per cent.

Bank lending grew by just 2 per cent in January, the same rate as in the previous two months.

The sense of gloom was reinforced by Mr Yasushi Mieno, the governor of the Bank of Japan, who repeated his call to Japan's banks to speed up the writing off of their mounting bad debts.

The restructuring plans unveiled by Japan's struggling corporate sector included:

● NTT, the world's largest telecommunications group, will reduce its workforce of more than 200,000 by 30,000 over the next three years and cut by a third its 1,300 retail outlets.

NTT reported a 22 per cent fall in pre-tax profit in the half year to last September.

● Nissan, plans to close a production plant near Tokyo by the spring of 1995 and reduce its workforce of 53,000 by 5,000 by 1996 as part of a plan to save Y200bn. Nissan announced it would make a pre-tax loss of Y29bn in the year to end-March.

● Matsushita may introduce similar changes after the company's board yesterday removed its president Mr Akio Tanii. He will be replaced by Mr Yoichi Morishita, the vice-president, who is expected to shake up the ailing electronics giant, which reported a 63 per cent fall in pre-tax income for the nine months to the end of December.

The government's index of leading indicators for December published yesterday suggested there is little hope of an early upturn. It stood at 27 per cent, the ninth consecutive month below the 50 per cent threshold which signals an upturn.

A quotation board in a Tokyo foreign exchange brokerage flashes the dollar's rate against the yen shortly after it had opened at a record low

US plans airdrop in spite of warnings

By George Graham in Washington, Laura Silber in Belgrade and Robert Mauthner and David White in London

THE US appears determined to press ahead with its airdrop plan for blockaded areas of eastern Bosnia, in spite of Bosnian Serb warnings that the move could escalate the fighting in the country.

"The airdrop would almost certainly pave the way to the massive use of military force and the spread of armed conflict with unforeseeable consequences," General Milan Gvero, the deputy commander of the Bosnian Serb army, said yesterday.

In a strongly worded statement, Mr Ilija Djukic, the Yugoslav foreign minister, warned the US against violating its borders. While stressing that Yugoslavia, now comprised of Serbia and Montenegro, shared the humanitarian concern for the besieged Moslems, Mr Djukic said: "Yugoslavia will not hinder the realisation of the operation, but it will not tolerate the violation of Yugoslav territory and airspace."

He said the Yugoslav army was not involved in the civil war in Bosnia, but feared incidents in neighbouring Bosnia could veer out of control.

Meanwhile, the US has informed its Nato allies that it plans to go ahead with the airdrop towards the end of this week, following consultations between Mr Warren Christopher, the US secretary of state, and his Nato colleagues at a meeting in Brussels on Friday. The White House made clear the administration wanted allied backing for the relief effort.

Though the plan has been welcomed by the UN security council and most of Washington's allies – and Turkey and Holland have offered to participate in the operation – it has caused misgivings in both the US and some

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Doubts over peace talks, Page 2

Union's 9% pay agreement in east Germany undercuts metalworkers' demands for 26% rise

IG Chemie agrees on slow road to parity

By Judy Dempsey in Berlin

GERMAN industrial union, IG Chemie, has agreed to a 9 per cent wage increase for its 180,000 members in east Germany, undercutting demands for a 26 per cent increase in the metal sector by IG Metall, the giant engineering union.

IG Chemie, which covers the chemical, paper and ceramics industries, agreed to the wage rise after arbitration talks which ended yesterday. But IG Metall said it would stage demonstrations throughout east Germany unless its members were promised the larger pay rise in line with its timetable for parity with western workers by 1994.

IG Chemie's pay rise falls short of the union's demand for a wage increase which would match inflation, running at an annual rate of about 11.5 per cent, but is more than the 7.5 per cent originally offered by the employers' association. Mr Bernd Leibfried, the spokesman for IG Chemie, said the 12-month agreement, which will be backdated to February 1, would bring wages in eastern Germany's chemical sector up from 62 per cent to 70 per cent of levels in west Germany.

Last week IG Bergbau and Energie, the energy and utilities union, accepted a 9.3 per cent rise. Neither has sought income parity between east and west German workers by 1994, unlike IG Metall.

In March 1991 the engineering union agreed with Gesamtmetall, the employers' association, to income parity by April of next year. But Gesamtmetall pulled out of the contract, saying economic conditions had changed.

IG Metall said demonstrations would start tomorrow in the car manufacturing region of Ludwigsfelde, south-west of Berlin.

The pay talks come at a time of rising job losses in east German industry, where employment fell by 40 per cent last year. Manufacturing and mining were the hardest hit, according to Germany's federal statistics office.

Employment in the sector in the whole of Germany was 9.5 per cent down in December 1992 over 1991, or from 7.46m workers to 7.12m a year before.

Registered unemployment is expected to exceed 18 per cent.

Brussels threatens to cut EC regional grants to Britain

By David Gardner in Brussels

BRITAIN'S most depressed industrial regions risk losing around £1bn ($1.42bn) in EC aid as a result of a new row between the European Commission and the UK government over what Brussels claims is Whitehall's failure to provide matching finance.

Mr Bruce Millan, EC regional policy commissioner, has written to the British government seeking urgent talks with to resolve the dispute.

Mr Millan's move follows a deluge of complaints from British local authorities to Brussels that London is still not "matching" the EC regional grants with equivalent funds, as required by unanimously approved Community rules.

Under the community's rules money provided by Brussels to help depressed regions must be matched by funds provided to these local authorities by their national governments.

The new row over regional funds for industrially stricken regions such as Merseyside and Strathclyde comes as the government faces growing pressure to act over the rising level of unemployment which hit 3m last week.

The British government agreed last February, after a prolonged and bitter row which divided the cabinet, to abide by these rules starting this April. The government also agreed to ensure that adequate "matching" funds were provided to the regions in the interim in order to secure financing from Brussels.

The funds earmarked for industrially stricken regions in the UK are worth Ecu1.26bn ($1.48bn) for 1992-93.

The Commission had withheld for over a year Ecu160m in regional funding to regenerate British coalmining areas. These wre only released when the previous row was settled with Britain shortly before last year's general election.

A senior EC regional policy official said there had been "a slight improvement" since then, but that "we are getting too many complaints that they are not releasing the money." He added that "we are reaching the point when we have to react; they are making fools of us."

Another senior official said there was "concern that the UK is not going to be able to take up the [EC] money, and that they will lose it at the end of the year," when the current regional

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CONTENTS

Leaders' absence threatens Bosnia peace talks

By Michael Littlejohns, UN Correspondent in New York, and Robert Mauthner in London

STALLED negotiations on a peace settlement in Bosnia-Hercegovina are in danger of being wound up in the absence of two of the three leaders of the former Yugoslav republic's warring factions.

Doubts over early resumption of talks, which have been stalled for three weeks, increased last night as a lawsuit against Mr Radovan Karadzic, the Bosnian Serbian leader, threatened to delay his arrival in New York.

However, Lord Owen, the EC mediator and co-chairman of the talks, said he was confident Mr Karadzic would return. "Certainly it is necessary now to get the leaders as quickly as possible here and I think it can be cleared up," he told reporters.

A "more complicated situation", he added, was that of President Alija Izetbegovic of Bosnia, who might need some strong persuasion to drop his reluctance to attend the talks. Mr Izetbegovic was due to meet US Vice-President Al Gore in Washington this week and then go on to New York for the peace talks, but reports from Sarajevo said he might not make the trip.

Mr Boutros Boutros Ghali, the UN secretary-general, was to meet President Bill Clinton at the White House last night to discuss US plans for an air-drop of relief supplies into Bosnia as well as the future of the peace talks.

Mr Yuli Vorontsov, the Soviet delegate, was among Security Council members who welcomed the American air-drop plan yesterday.

Mr Karadzic is threatened with a multi-million dollar civil class action filed in a New York court 11 days ago by three US human rights organisations. It charges him with responsibility for atrocities carried out by forces under his control in Bosnia. Mr David Larner, a spokesman for the plaintiffs, said last night that any grants of immunity would be challenged in federal court, although he acknowledged Mr Karadzic need not fear arrest while he was in the US.

When he led the Bosnian Serb delegation to the peace talks earlier this month, Mr Karadzic's movements were restricted by the US immigration authorities to six blocks from the UN building. Several hotels indicated he was an unwelcome visitor.

He has made it clear he would prefer talks to move to Geneva and that he is unwilling to return to New York unless security can be guaranteed, possibly through an invitation from Mr Boutros Ghali. Nor does it seem likely he would agree to attend the talks while Mr Izetbegovic stayed away.

Spanish money market rates rise amid fears over peseta

By Tom Burns in Madrid

SPANISH money market rates rose sharply yesterday amid continuing pressures on the peseta within the European exchange rate mechanism.

The cost of borrowing Spanish pesetas for one month rose to around 20 per cent yesterday, amid fears on financial markets that the Spanish peseta may be forced to devalue within the ERM.

The Bank of Spain yesterday left its official money market intervention rate unchanged at 13 per cent, despite the rise in money market rates in the morning. Later in the day the bank was forced to provide daily funds to the market at an average rate of 15.32 per cent, compared with 14.61 per cent on Monday.

Throughout yesterday the Bank of Spain defended the beleaguered peseta with aggressive purchases of the currency. The developments appeared to have gained a certain breathing space for the peseta which steadied yesterday at Pta72.50 to the D-Mark against a Monday close of Pta72.95.

Mr Felipe Gonzalez, the Spanish prime minister, also came to the peseta's aid with a statement that pledged a "rigorous observance" of the convergence criteria leading to economic and monetary union and discounted any temptation to abandon the European exchange rate mechanism.

"[The peseta's] permanence in the European monetary system is beyond all doubt and so also is its discipline within the exchange rate and monetary policies," Mr Gonzalez said.

In what amounted to a fine balancing act the bank was able to keep its benchmark money rate unchanged at yesterday's routine auction of certificates of deposit because the shortage of liquidity in the domestic system ensured punitive lending rates on the inter-bank market. One-day rates rose as high as 22 per cent and those for three-month Europeseta were above 16 per cent.

Some currency dealers had forecast the bank would raise its intervention rate back up to 13.25 per cent, where it stood earlier this month before the Bundesbank eased its interest rates, or even higher. Although the peseta, which has a 6 per cent fluctuation band within the ERM, remains well off its Pta77.28 to the D-Mark floor in the mechanism, the Bank of Spain appears determined to prevent any downward slide much beyond its Pta72.70 parity.

Mr Gonzalez's stout defence of the ERM is in line with orthodox economic thinking in Spain that seeks to use the mechanism's constraints to wring as much inflation as possible out of the domestic economy. "Exit from the ERM means stop and go, boom and bust," said Mr Jaime de Pinies, head of research at Banco Santander de Negocios.

Currency speculators, however, seem to be betting on the government's inability to resist mounting pressure to refire the economy following a recent string of depressing statistics that included an unemployment total of just over 3m, or 20 per cent of the labour force. The Madrid stock market index was down by more than 4 points yesterday to close at 227.92, a drop of nearly 2 per cent and one of its heaviest falls this year.

Responding to calls from trade unions and the business community, the government said yesterday it would announce a series of job creation initiatives at a special parliamentary debate next Tuesday.

It said, however, that the measures, which are likely to make use of European Community cohesion funds as well as revenue raised through privatisations, would not change the tight guidelines on public spending as laid down in the 1993 state budget.

Giscard says utilities not for sale

By David Buchan in Paris

FRANCE'S big "monopoly" utilities run no risk of being privatised, Mr Valéry Giscard d'Estaing, leader of one of the centre-right opposition parties tipped to win next month's parliamentary election, said yesterday.

All companies in the competitive sector could be privatised, Mr Giscard d'Estaing said, "but there are no plans to privatise the big companies in a position of monopoly" in such areas as telecommunications, transport or energy.

The ex-president of France thus removed the ambiguity left in his Democratic Union (UDF) party's recent joint programme with the Republican Assembly (RPR) Gaullists. This stated that "all banks, insurance companies and enterprises in the competitive sector will be privatised", leaving undefined what the opposition considered "non-competitive".

France Télécom, Electricité de France (EdF), and Gaz de France (GdF) are probably profitable enough to be sold, but have been used as instruments of industrial policy.

Reacting to pressure from Brussels for a liberalised electricity market, EdF has commissioned a study of the privatisation of the UK electricity industry which is due to be unveiled here today. The study is expected to be critical of the British energy sell-off, which, however, appears to have benefited the French utility. Out of its total 54.8bn kW/hours of power exports last year, EdF sold 17bn to the UK.

Even while keeping utilities in state hands, Mr Giscard d'Estaing forecast that the stock market would be able to bear privatisation of the order of FFr40bn ($7.1bn) this year and FFr60bn in each of the two following years. Proceeds would be used to reduce public debt and taxes.

EC and weather hit agrochemicals

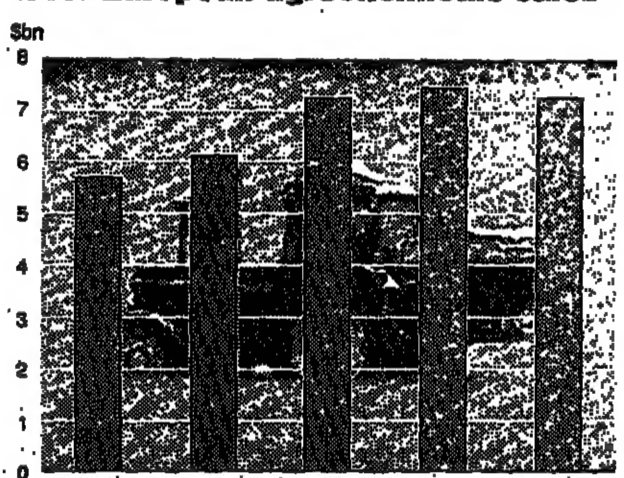
By Paul Abrahams

POOR WEATHER and the reforms of the EC's common agricultural policy that oblige cereal farmers to set aside 15 per cent of their land led to a decline in west Europe's agrochemicals market in 1992.

The market, the world's largest, fell 2 per cent to $7.29bn according a report* prepared by Allan Woodburn Associates, the specialist market research group. However, the drop was worse – at about 5 per cent – in local currencies. In real terms, including inflation, the fall was between 9 per cent and 10 per cent.

The decline was mostly weather-related, said Mr Allan Woodburn, director. In the summer it was too dry in southern Europe, and too wet in northern Europe last autumn. He warned that the full impact of the CAP reforms would only be seen during 1993. The report estimated the reforms would eventually lead to a decline in the European market of between 15 and 20 per cent by 1996. Last week Mr Jean-René Fourtou, Rhône-Poulenc's chief executive, said the fall could be up to 30 per cent.

West European agrochemicals sales



Source: Allan Woodburn Association

Fungicide manufacturers are likely to be most affected, according to the report. Herbicide demand is expected to be less severely hit.

The European insecticides market is small and more likely to be hit by the weather than by CAP reforms. The groups most affected by the downturn are those with the highest proportion of turnover in Europe, according to Mr Woodburn. These include Schering of Germany (60 per cent of sales in the region); Rhône-Poulenc of France (51 per cent); Hoechst of Germany (42 per cent); and Bayer of Germany (37 per cent).

The report said Ciba-Geigy remained the world market-leader. Zeneca (turnover $1.97bn) has been overtaken for the second spot by Bayer ($2.05bn), almost entirely because of exchange rates.

**Agrochemicals executive review. Allan Woodburn Associates, 18 Newmills Crescent, Balerno, Edinburgh. 031 451 51 73. £325 ($645).*

French Socialists try to heal rift

By Alice Rawsthorn in Paris

MR Pierre Bérégovoy, the French prime minister, yesterday tried to ease Socialist party tensions by hosting talks for senior Socialists, including former prime minister and probable presidential candidate Mr Michel Rocard.

Mr Rocard last week called on the left to abandon socialism after next month's parliamentary elections in favour of an alliance with the ecologists. This call for a "political big bang" has caused turmoil on the left. The Socialist party, haunted by scandals and weary after a decade in power, is heading for heavy defeat.

The Socialists will today receive yet another electoral setback with the publication of provisional GDP figures for the fourth quarter of 1992, which are expected to show a fall in absolute terms for the first time since the Gulf war. Paribas, the prominent Paris bank, estimates that GDP fell 0.4 per cent in the fourth quarter when the economy was squeezed by high interest rates and the franc's strength.

Recent economic surveys have warned of a further deterioration, suggesting a further fall in GDP in the first quarter of 1993. This means the hitherto relatively resilient French economy, will be technically in recession, after two successive quarters of economic decline.

Rocard: has called for a 'political big bang' and realignment

However, the Socialists yesterday were more concerned with their internal problems. Mr Bérégovoy was clearly anxious for party leaders to present a united front in the run-up to the polls. He arranged yesterday's lunch gathering to finalise plans for the last phase of the campaign. It was attended by Mr Laurent Fabius, Socialist first secretary, Mr Jean Arnoux, the party's parliamentary leader, by Mr Rocard and Mr Jacques Delors, European Commission president.

Mr Arnoux said the Socialists were in "perfect harmony" and described Mr Rocard's "big bang" as a chance to expand "the socialist universe". Mr Rocard and Mr Delors told reporters they had an "excellent" lunch "between friends".

Moscow protests against Yeltsin

By John Lloyd in Moscow

SOME 10,000-15,000 people yesterday marched through Moscow in a protest against Mr Boris Yeltsin, the Russian president, and his government.

The rally marked Russian Armed Forces Day, which had been officially observed by government figures putting flowers on the grave of the unknown soldier by the Kremlin.

Mr Yeltsin was absent from the ceremony, on holiday, while Mr Ruslan Khasbulatov, his rival and head of parliament, continued an official trip to Finland.

The demonstration was led by three of the alleged ringleaders of the August 1991 coup: Mr Valentin Pavlov, the then Soviet premier; Mr Vladimir Kryuchkov, the KGB chief; and Mr Oleg Baklanov, a senior Communist official. The audience in the central Manezh Square heard officers denounce Mr Yeltsin, their commander-in-chief, and demand the resignation of Gen Pavel Grachev, the defence minister.

German reinsurance chief dies

Dr Horst Jannott, chief executive of Münchener Rückversicherung (Munich Re), the world's largest reinsurance company, died unexpectedly on Sunday, writes David Waller in Frankfurt.

Dr Jannott joined the company in 1954 and has been chief executive since 1969, only the sixth chief executive since the company was founded in 1880. Gross premium at the group has grown from DM300m when he first started to nearly DM16bn ($9.6bn) in 1991-92.

Dr Jannott, who was 65, was due to step down from his position as chief executive on March 1 to become chairman of the company's supervisory board.

He was chairman of four supervisory boards and a member of the supervisory boards of eight large companies, including Degussa, Dresdner Bank, Hoechst, MAN, Mannesmann and Veba. He is to be succeeded as chairman of the board of managing directors (chief executive) at Munich Re by Dr Hans-Jürgen Schinzler, 52, the group's finance director since 1981.

Austria output falls by 8.2%

Industrial output in Austria during December fell 8.2 per cent, confirming indications that the economy lost momentum late last year, writes Ian Rodger in Vienna.

In November, industrial production was down 2 per cent year on year, according to the government's statistical office.

In December, the Austrian Institute of Economic Research (WIFO) revised down its forecast of economic growth for 1993 from 2 per cent to 1.3 per cent; a WIFO official said this week that it would have to be revised downward again, perhaps to 1 per cent.

Finland backs aid for banks

Finland's parliament yesterday pledged unlimited financial assistance to ensure the country's banks can meet their commitments, writes Christopher Brown-Humes in Stockholm.

US credit rating agency Standard & Poor's recently questioned Finland's political will to tackle its banking crisis and the agency placed a number of banks on credit watch.

Poland poised to be a post-communist success story

But eastern Europe's beacon of stability is showing signs of strain, write Anthony Robinson and Christopher Bobinski

POST-COMMUNIST Europe needs a success story. It is beginning to look as though Poland, which was the first to shake off the communist yoke and the first to embark on "shock therapy" economic reforms, might provide one.

After three years of industrial decline when production slumped 40 per cent and unemployment climbed from zero to 13 per cent of the workforce, the economy stabilised last year. Strong export growth to western markets, a fast growing private sector and signs of greater efficiency in the public sector have combined to produce sharp productivity gains and the basis of an export-led economy. Poland appears poised for sustained economic growth which the government hopes will double GDP over the next decade.

But the pain is far from over. Officially, more than 40 per cent of Polish families survived at minimum income levels last year, according to central planning office figures. These underestimate the extent of moon-lighting and the under-reporting of real wage and profit levels for tax evasion purposes.

But there are also clear signs of social strain. Last year the birth rate was the lowest in 50 years and the death rate was at its highest since the second world war. A third of the population, around 13m people, live in ecologically risky areas. Official unemployment, while slackening in pace, is still rising: it will exceed 3m, or 16 per cent of the work force, before hopefully peaking later this year, provided the slowdown in Germany and the rest of EC markets does not curb export-led job creation.

Railway workers in Silesia, Poland's most heavily industrialised region, backed wage demands yesterday with a two-hour stoppage which disrupted local passenger and freight traffic, writes Christopher Bobinski in Warsaw.

They are demanding that wages for railway workers in the region, which carries two-thirds of the country's freight traffic, should be 18 per cent more than for rail employees elsewhere.

The stoppage comes after last week's successful 24-hour strike by miners in the Solidarity trade union to demand that married people be taxed jointly on their annual incomes, as was the case in 1992.

Meanwhile, Solidarity in the recession-hit textile town of Lodz, 120km west of Warsaw, has called a 48-hour general strike beginning tomorrow to demand the appointment of a special government official to oversee restructuring plans for the area.

There is a sense that the worst is over and that a period of economic and social development lies ahead.

Production is rising at the new foreign and Polish-owned plants that are mushrooming. State-owned enterprises are also responding to market disciplines introduced over the last three years.

It is not only central Warsaw that gives the impression of a boom-town, with aircraft and hotels full of western businessmen, streets crowded with imported cars and increasingly sophisticated shops.

Economic activity and change in neighbouring countries – such as Ukraine and Germany – are fuelling Poland's entrepreneurial activity. The eastern border has become, in effect, the new border between east and west, although as the recent 35-nation interior ministers meeting in Budapest revealed, this is not a status with which Warsaw is happy. Poland as seen from the east now looks like a beacon of stability and modest prosperity. The fear is that the country will attract economic refugees like moths to a light if the economic and political situation to the east deteriorates, as looks probable.

Street enterprise: Poland has the most entrepreneurial private sector of the former Soviet satellites

Warsaw has its own problems. It has to keep the budget deficit within the 5 per cent of GDP level agreed with the International Monetary Fund. This means a tight rein on spending, the introduction of VAT and measures to broaden its tax base and improve tax collection.

Next month the IMF is expected to approve a $660m standby loan whose symbolic importance far exceeds its financial value. A new agreement will be seen as a vote of confidence in Poland's ability to maintain stable government and pursue structural reforms.

The three years of deep recession which followed the "shock therapy" imposed by Mr Leszek Balcerowicz, the then finance minister, killed hyper-inflation and forced Polish companies to seek new export markets in the west. This process was re-inforced by the subsequent collapse in trade with the former Soviet Union. Since the middle of last year, however, the first tentative signs of an upturn in industrial production and economic growth have multiplied.

Until now Poland, the most populous of the former Soviet satellites with an internal market of 39m people, has received far less foreign investment than Hungary or the Czech Republic, but has the most entrepreneurial private sector. But unlike its neighbours it is spared the ethnic tensions which have split Czechoslovakia, complicated Hungary's relations with its neighbours and led to civil war in Yugoslavia and along the southern borders of Russia.

The growth potential of Poland is attracting attention from strategic investors, including US and European pension funds and other institutions. Next month's expected IMF agreement will unlock more than $1bn in structural adjustment loans from the World Bank, permit completion of the second stage of the Paris Club agreement on a 50 per cent reduction in Poland's $33bn official debt, and facilitate negotiations with the London Club for a similar reduction in more than $12bn of commercial debt.

The IMF agreement is also expected to facilitate redeployment of the untouched $1bn zloty stabilisation fund created by donations and loans from the US and other western governments in 1990 to underpin zloty convertibility. It was not needed but now Warsaw is trying to persuade donors that the fund should be converted to clean up bank balance sheets prior to privatisation.

The climate for private investment is also expected to improve. The largest single project to date is Fiat's $2bn commitment to build small cars in Poland. This has attracted matching investments from Fiat's traditional suppliers, including $200m from Lucchini which is modernising the Huta Warszawa steel plant, and smaller machine tool and component companies attracted by Poland's low wage costs and high skill levels.

More than 50 per cent of output now comes from the private sector which employs 56 per cent of the labour force. International Paper, Pilkington and Unilever are three of the lengthening list of multinational investors, while increasingly Poland is attracting smaller investors such as a Danish shoe company which is setting up three plants there. They employ 150 people each at wages comparable to the Far East and the company is also buying cheap, high quality Polish hides. As with other EC producers the Danish company finds it cheaper and more efficient to sew leather uppers to soles in Poland and ship the finished goods by truck than spend a fortune on air-freight.

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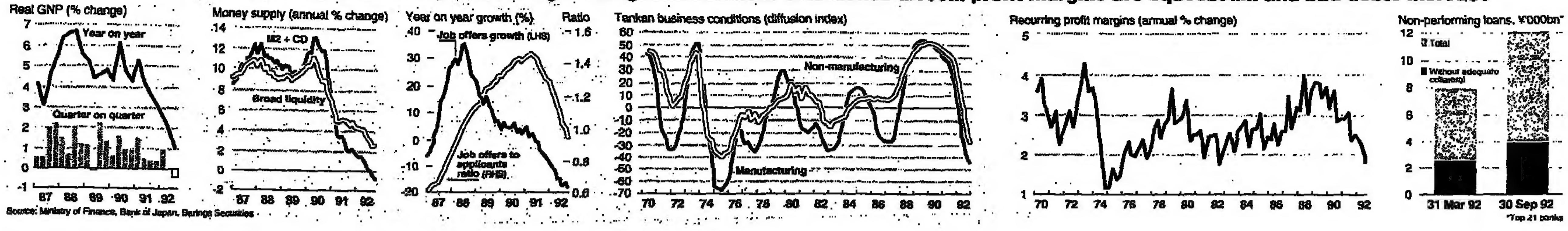
JAPAN RESPONDS TO DOWNTURN

As growth slows... money supply falls... the job market gets tougher... business confidence dives... profit margins are squeezed... and bad debts increase



Source: Ministry of Finance, Bank of Japan, Barings Securities

Japan holds its breath as the economy sinks

By Charles Leadbeater in Tokyo

JAPAN IS facing one of the most comprehensive, complex and severe economic crises since the end of the second world war.

The sharp fall in land, property and share prices from the heyday of the speculative bubble economy between 1987 and 1989, has led to a steep fall in private demand.

Manufacturers overinvested and overproduced in the late 1980s. In cars and electronics especially, they have been carrying huge stocks of idle machines and unsold products.Consumer demand for them appears to be saturated.

The population's propensity to consume is falling as people's anxiety about the outlook leads them to build up precautionary savings.

The financial sector is hobbled by mounting bad debts at the banks, a prolonged slump in share prices and very low trading volumes on the stock market, which is punishing the profits of securities houses.

Without a healthy financial sector, the economy will find it difficult to generate the credit needed to finance recovery.

Japan's much vaunted industrial companies let their personnel and investment costs grow rapidly in the 1980s, an increase disguised at the time by the very low cost of raising capital.

As Mr Yasushi Mieno, the governor of the Bank of Japan, put it yesterday, the rapid economic expansion at the end of the decade merely delayed the need for Japanese companies to cut costs in line with slower growth.

This combination of pressures has left the economy in a vulnerable and volatile state. The stock market is drifting listlessly around the 16,800 level, open to a further sharp fall as companies revise profits down before the end of the financial year at the end of next month.

The sudden appreciation of the yen against the dollar in the past two weeks has hit exporters. The growth in the trade surplus fuels worries about a resurgence of trade friction with the US.

Many companies are waiting to see whether the economy can recover. They are holding fire on plans to cut their payrolls and restructure some of the international operations they acquired at great cost in the 1980s. The electronics company JVC signalled at the weekend what might be in store by announcing plans to close subsidiaries in the Netherlands and Germany.

Companies may not have to wait for long. The forces behind the downturn will come to a head in the next few months. Things may well get worse before they get better.

The response of Japan's politicians, bureaucrats and executives will determine whether the economy slumps into a prolonged period of very slow growth or whether it can stage a modest recovery from the end of the year.

They will have to confront some of the most powerful taboos of Japanese economic and corporate life to rescue the economy.

Fiscal policy – public spending and tax cuts – will be vital to compensate for the fall in consumer spending. But income tax cuts will require higher government borrowing, turning back the hard won consolidation of public finances during the 1980s. The Liberal Democratic party will have to assert itself over the Finance Ministry which rules budgetary policy. The party's leaders will have to face up to their seniors, still influential older leaders such as former prime ministers Nakasone and Fukuda who oppose higher borrowing.

The hard-pressed banks will come under increasing pressure from the Bank of Japan to deal with their bad debts. Many would make sharply lower profits if they had to write off non-performing assets. Some would be forced into losses. No Japanese bank has made a loss since the end of the last war.

Industrial companies are just embarking on a long retrenchment, which will force them to amend some of their traditional values and practices.

At companies such as Matsushita in electronics and Bridgestone, the tyre maker, this has already involved dramatic changes in senior management. More companies in cars, steel and electronics are likely to follow Nissan's plan to reduce its workforce by almost 10 per cent in the next few years. Sanyo, the electronics group, is not alone in decentralising to give its divisions more autonomy.

Everywhere, Japanese companies say that after three years of declining profits, the imperative is to improve profitability rather than the traditional goal of expanding market share.

Japanese policymakers and companies are well known for their long-termism, their strategic approach to investment and their patience over earning returns upon it.

The reality is that the creativity of the Japanese economy has been largely the product of crisis – from the occupation after the second world war to the oil shocks of the 1970s and the high yen recession of the mid-1980s.

With the economy close to the core of another such crisis, everything will turn on whether the response is another bout of feverish creativity or a lapse into complacency.

Matsushita chief quits in mid-term

Scandal and poor results force Tanii to resign

By Michiyo Nakamoto in Tokyo

THE surprise announcement by Matsushita Electric, the world's largest consumer electronics group and owner of MCA, the US film studio, that its president, Mr Akio Tanii, would quit immediately has sent shock waves through the Japanese business community and increased concerns about the state of the company.

Mr Tanii who leaves his post in mid-term, will be succeeded by Mr Yoichi Morishita, the executive vice-president

As Japanese companies usually take their time in preparing for the succession to the top post, the abruptness of Mr Tanii's departure has fanned speculation he was forced out to take the blame for the company's poor performance.

Mr Tanii said he was taking responsibility for the involvement of National Lease, a subsidiary, in a financial scandal that rocked Japan in the summer of 1991. "I felt it was important to clarify responsibility for certain unfortunate matters that occurred during my presidency," Mr Tanii said.

National Lease had extended loans totalling Y50bn (£292.39m) to Toyo Shinkin bank, a former branch head of which had made illegal loans to an Osaka restaurateur. The involvement of National Lease in the Toyo Shinkin scandal led the Matsushita subsidiary to post a Y20.9bn loan loss.

Mr Tanii was expected to take responsibility for the scandal and resign last autumn, when the company's interim results were released.

He raised eyebrows in Japan when he failed to do so, and criticism of the group has intensified as it has struggled to put behind the bad news and direct its energies toward improving battered fortunes.

Yesterday's announcement failed to explain the timing of his resignation and it heightened concerns that unless the group takes drastic measures it could find itself in serious trouble.

The group reported dismal third quarter results for the three months to December 1992. Its consolidated third quarter results showed pre-tax profits were down 60 per cent to Y50.2bn in the three months to December. Sales were 6 per cent down to Y1,882.8bn.

Net income fell by 76 per cent to Y12.6bn from a previous Y52.4bn. In the nine months to December, the group saw pre-tax profits fall 63 per cent to Y118.1bn (Y322.7bn).

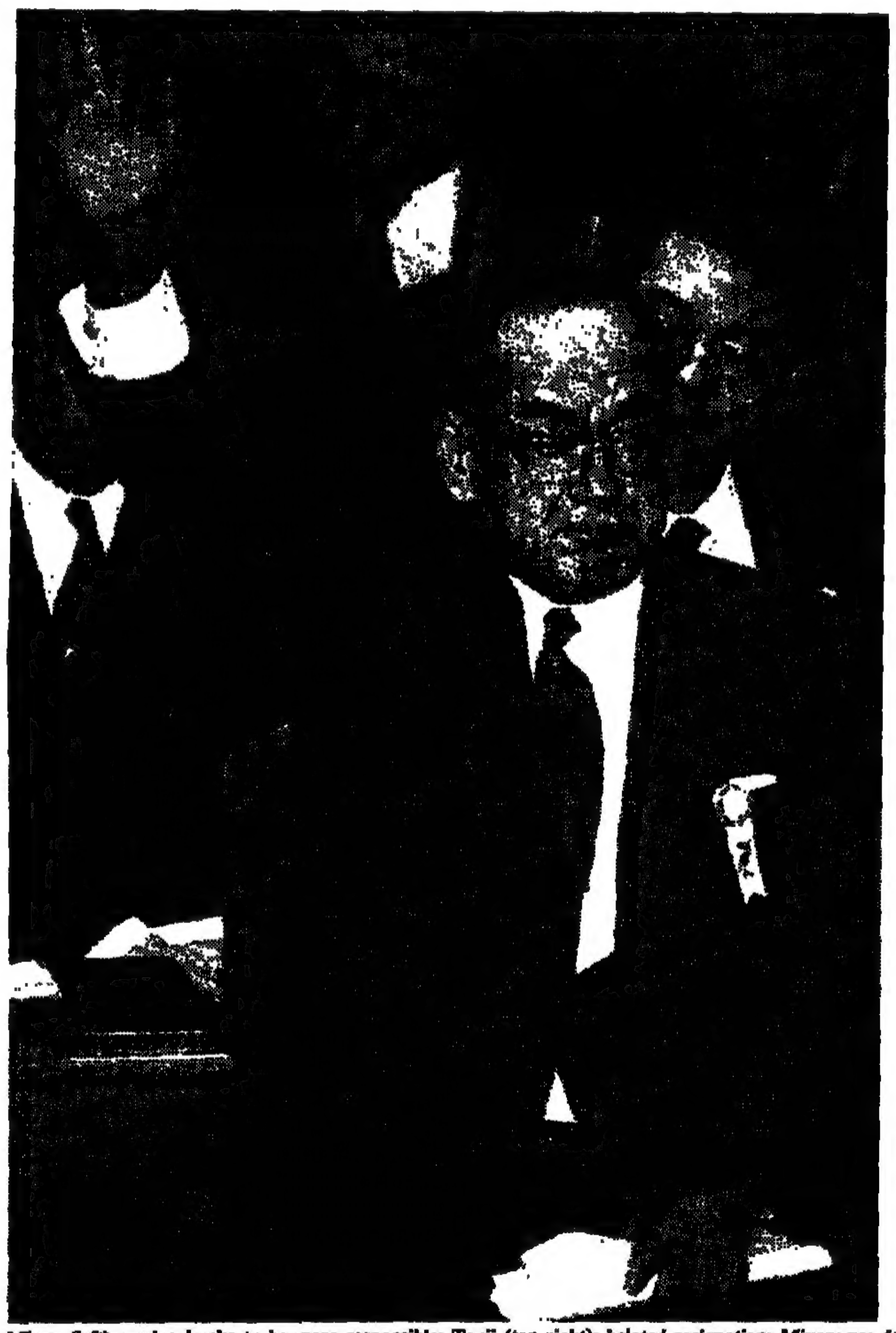
Defects were found in 700,000 of its refrigerators

While all consumer electronics companies have been hurt by the downturn in consumer spending worldwide, Matsushita has also been rocked by the impact of defects that were found in 700,000 of its refrigerators in addition to the National Lease scandal.

The company has been restructuring its operations in an attempt to increase profits while sales remain flat but this has added to grumblings from disgruntled retailers unhappy about new tight-fisted measures by Matsushita. The consensus however has been that more needs to be done.

"The organisation is bloated, there is a lack of vertical and horizontal communication," one industry analyst said. "The question being asked is what is the company going to do from now on?"

Hope was expressed yesterday that Mr Morishita would be able to breathe some fresh air into the company. The new president, who is 57 this year, has risen rapidly up the ranks, having just been promoted to executive vice-president in December, and is known as a man who can get things done.



Mieno (left): urging banks to be more responsible; Tanii (top right): belated resignation; Miyazawa: devising new measures to boost Japan's economy

Mieno urges banks to write off bad loans

By Charles Leadbeater

JAPANESE banks should accelerate the disposal of non-performing assets and write off their bad loans, Mr Yasushi Mieno, the Bank of Japan's governor warned yesterday.

Mr Mieno said Japanese banks were slower than their US counterparts had been to deal with their bad debts. He called on them to more actively strengthen their battered balance sheets.

There could be no increase in the overall amount of credit without additional equity, he said.

The Bank of Japan is concerned that the banks' strategy to gradually pay for the losses over several years could be a long term constraint on both their profitability and their ability to lend.

Speaking to a lunchtime meeting of businessmen in Tokyo, organised by the Yomiuri newspaper group, he said the banking system's bad debts were still manageable.

The non performing loans of the country's top banks were Y12.3bn (£71.92m) at the end of last September, about 3 per cent of their outstanding loans.

However, Mr Mieno warned that individual banks which were particularly exposed would face painful restructuring.

In a wide-ranging review of the economy the central bank governor said the Bank of Japan was facing a challenge without precedent in the post-war era: to maintain the stability of the financial system while securing non-inflationary growth after the excesses of the speculative bubble economy.

Comparing the rate at which Japanese and US banks were clearing up their bad debts, Mr Mieno said Japanese banks needed to step up their efforts and make them public to win back trust in the country's banking system.

He emphasised that the Bank of Japan would not offer the commercial banks any quick fixes. "The banks must resist looking for any easy way out. They must do this through self help," he said.

Mr Mieno said the central bank's role was to create a conducive environment for the banks to restructure, providing liquidity if necessary to support troubled institutions.

LDP has new plan to boost economy

By Charles Leadbeater

THE ruling Liberal Democratic party, working closely with Japan's most powerful economic bureaucrats has drawn up a timetable for further measures to stimulate the economy, once the budget for 1993 is passed, according to senior officials familiar with the plans.

The measures are largely the result of intensive talks behind the scenes over the past few weeks between Mr Hiroshi Mitsuzuka, the head of an LDP economic task force, Mr Mamoru Ozaki, the powerful vice-minister at the finance ministry and Mr Eisuke Hamamoto, director general of the ministry's tax bureau.

The finance ministry officials have swung Mr Mitsuzuka away from an early cut in income taxes by suggesting that tax cuts targeted at capital investment and housing would be more effective.

The powerful economic bureaucracy and the political leadership of prime minister Kiichi Miyazawa agree the next few months will be critical, either laying the foundations for moderate economic recovery later in the year or confirming pessimistic forecasts of a prolonged period of slow growth.

The lower house of parliament will pass the mildly expansionary budget for 1993 early next month. Tokyo is then expected to announce that all public works spending will be brought forward from the second half into the first half of the year to maintain the strong growth in public investment, rising by an annual rate of about 11 per cent.

There is expected to be a five stage timetable for fresh measures to stimulate the economy, most of which parliament could pass before its current session ends on June 20. This would allow Japan to present the entire stimulus package to the Group of Seven Tokyo summit scheduled for early July.

The LDP will propose tax cuts for investment and housing. It may also propose relaxing the rules governing public borrowing to allow public bodies to buy computers and other electronic goods.

A decision on whether to cut income taxes will be delayed until April and May to allow time to see whether the economy is recovering or whether it needs further stimulus.

The finance ministry and the Bank of Japan want to avoid repeating past mistakes such as in early 1987 when overstimulation started the inflation which led to the bubble economy of the late 1980s.

A further interest rate cut later in the year has not been ruled out. The Bank of Japan, which recently cut its official discount rate to an all time low of 2.5 per cent has refrained from suggesting that this will be the last cut.

Mr Yasushi Mieno, the bank's governor yesterday emphasised that interest rate policy would be guided by the state of the real economy. "We have to focus upon the real economy. If necessary we have to resolve to cut interest rates."

Nissan takes a sharp turn to stay on the road

Emergency directors' meeting orders radical restructuring of the company in the face of losses

By Charles Leadbeater

NISSAN HAS been shifting the bullet around its mouth since last summer. Yesterday it finally bit it.

Early in the morning an emergency meeting of its directors agreed a radical restructuring plan to stem the car manufacturer's mounting losses. By the afternoon the details were echoing from factory public address systems as managers outlined the plan to the company's 53,000-strong workforce.

As one executive put it: "This restructuring is deeper and more comprehensive than any previous measures we have taken. We have cut costs before; this time we are trying to change the company's structure."

The plan involves the closure in 1995 of the 29-year-old Zama vehicle assembly plant near Tokyo, a 9.4 per cent reduction in the workforce by March 1996, and a sharp cut in the variety of models Nissan will make and the components it uses.

The financial imperatives have become inescapable. Nissan said it expected to make a pre-tax loss of Y29bn (£170m) in the year to the end of March, almost double its November estimate of Y15bn. The previous year it made a Y87bn pre-tax profit.

The reasons for an operating loss which is expected to reach Y39bn are not hard to find. Sales will fall from 1,318,000 units last year to 1,180,000. At the same time Nissan's costs are rising, largely to pay for its heavy investment in the late 1980s. Depreciation will rise from Y96.9bn in the 1990 financial year to Y160bn in 1994.

Nissan hopes the restructuring plan will return it to profit next year, allow it to resume cash dividends in the following one, and secure a "reasonable level of profit" in 1996.

But the plan to save Y200bn a year by the spring of 1996 is not just a response to the sharp fall in demand from the boom years of the late 1980s. It is designed to cope with very slow growth in the 1990s. "Nissan is committed to slim down its operational structure so that it will be able to secure a reasonable level of profits even under no growth in production volumes," the plan says.

The ageing Zama production plant, which is in an expensive area close to Tokyo and employs about 4,000 workers, will be closed in the spring of 1995. Production of the Sunny model will be shifted to Kyushu, where the world's newest car plant opened last year at a cost of Y100bn.

The Kyushu plant has been producing at an annual rate of only 423,000 cars, well below its 600,000 capacity. The transfer from Zama will take it to full capacity.

The other car made at Zama, the low-volume Presea, will be transferred to the Maruyama plant which is making about 325,000 cars a year compared with a capacity of 480,000.

Zama's workers will be transferred to other jobs. But the Nissan workforce will be reduced by 5,000 to 48,000 by March 1996 mainly through restricting recruitment and natural wastage. More than 3,000 people leave Nissan's employment each year.

Most significantly, 80 per cent of the reduction will be in white collar jobs, the first time restructuring has touched the highly protected salaried workers. About 32,000 of Nissan's workforce are office and administrative staff.

During the recession of the mid-1980s Nissan reduced its workforce by 6,000, but mainly by not renewing contracts for temporary workers. Now full-time jobs will be cut.

The number of model variations which Nissan offers will be cut by 35 per cent in 1996, compared with June 1992, while the variety of parts will be reduced by 40 per cent. This should produce almost half the overall cost savings.

A string of smaller changes, including giving manufacturing staff much more influence over how cars are designed to make sure they can be made efficiently, are the main ingredients of a plan to increase factory floor productivity by 10 per cent a year.

Nissan said its international operations would be fully involved in the cost-reduction programme, which would include moves fully to integrate international research, development and design.

Arabs 'set to resume peace talks'

By Judy Maltz in Jerusalem

MR Warren Christopher, US secretary of state, yesterday told Israeli leaders that Arab countries were willing to resume peace talks which have been stalled since December when 415 Palestinians were expelled from the country.

On the last and toughest leg of his tour of the Middle East, Mr Christopher met Mr Yitzhak Rabin, Israeli prime minister; Mr Shimon Peres, foreign minister; Mr Ehud Barak, army chief-of-staff; and the heads of the Israeli delegations to the peace talks, who expressed their similar desire for the peace negotiations to be revived.

However, Palestinians insist that all the deportees should be repatriated before the talks resume. Mr Christopher met Palestinian leaders yesterday evening, who presented him with a list of human rights abuses in the occupied territories.

Israeli officials said the message they had received from the US secretary of state was that the Arab countries had softened their stance and were willing to return to the negotiating table. This the Arabs would be prepared to do even without the immediate return of all the deportees, although further concessions on Jerusalem's part were expected.

Under international pressure, Israel agreed three weeks ago to allow 101 deportees to return and to halve the expulsion terms of the rest to one year.

"Our impression from the meeting is that at least, insofar as the Arab countries are concerned, the deportee issue has not been presented as a condition for resuming the peace process," said Mr Gad Ben-Ari, the prime minister's spokesman.

"It's an issue for which we will have to find a solution, but it is certainly not a condition for reviving the talks."

During his meeting with Mr Rabin, the US secretary of state was reported to have raised the issue of human rights violations in the occupied territories.

He was told by the prime minister that Israel would like to delegate more power to the Palestinians, although not at the expense of its own security.

Mr Yossi Beilin, deputy foreign minister, said he understood from Mr Christopher that the US intended to increase its involvement in the Middle East peace talks.

However, "I think the most important message given by the secretary of state is that after his recent tour he sees there is a chance to advance the peace process. As far as we are concerned, this is the best news," he added.

Mr Christopher arrived in Israel after holding talks with leaders in Egypt, Jordan, Syria, Saudi Arabia, Kuwait and Lebanon.

India plans new reforms for economy

By Stefan Wagstyl in New Delhi

THE Indian government yesterday committed itself to further economic reform, including cuts in the government deficit and subsidies, closure of unviable state-owned enterprises and further exchange-rate liberalisation.

Tax and customs duty rationalisation and overhaul of the financial system are also on the agenda, under the annual economic survey presented to parliament yesterday, in advance of Saturday's annual budget, when specific measures will be announced. The report spells out problems the government faces, such as the cost of social security for workers dismissed from loss-making enterprises, and the need to invest in education and infrastructure.

Wide-ranging reforms Mr P.V Narasimha Rao, the prime minister, launched in mid-1991 were beginning to yield results, the report says. It forecasts 4 per cent economic growth for the year to March 1993, up from a revised 1.2 per cent for the previous year. Wholesale price inflation is seen at under 10 per cent, down from 13.6 per cent.

Agricultural output is expected to rise 5 per cent, because of good rains last summer. But industrial output is growing by less than previously expected, at a likely 4-4.5 per cent. The report says India still has difficulties with its balance of payments, with exports growing slower than expected due to declining trade with former Soviet bloc countries.

In dollar terms, exports have risen 3.4 per cent in the eight months to December 1992, though exports to countries outside the former Soviet bloc climbed 11.4 per cent. Even this is short of the government's 15-20 per cent export growth target. Current-account deficit should be cut from a likely 2.8 per cent of GDP in 1992-1993 to under 1 per cent in 1995-1996.

The report acknowledges the inter-religious violence after destruction of the Ayodhya mosque on December 6 hit output, exports and tourism, but does not estimate the losses. Last year's Bombay securities market scandal also hit confidence. The scandal highlighted the need for comprehensive financial reform, including banking reform. A key proposal is for cutting the proportion of cheap bank loans to the government, a rule which cramps commercial banking.

"The policy initiatives introduced after June 1991 have been seen to work. This gives us confidence we can overcome the constraints on our economy, assuring a more prosperous future."

● Mr Sudhakarrao Naik, chief minister of Maharashtra State which includes Bombay, the city which bore the brunt of the recent inter-religious unrest, has resigned. Mr Naik, a leading member of the ruling Congress (I) party, was ordered to go by Mr Rao after being heavily criticised for his handling of the riots which left more than 600 dead in Bombay.

The atmosphere in Delhi remains tense, due to a clash between the government and the Bharatiya Janata party, the right-wing Hindu party whose supporters sacked the Ayodhya mosque. The clash came over the BJP's plans for a rally in the capital tomorrow. The BJP intends to defy a government ban on the event.

Delhi fails to ring telecom changes

India is finding the practice of deregulation harder than the theory, writes **Shiraz Sidhva**

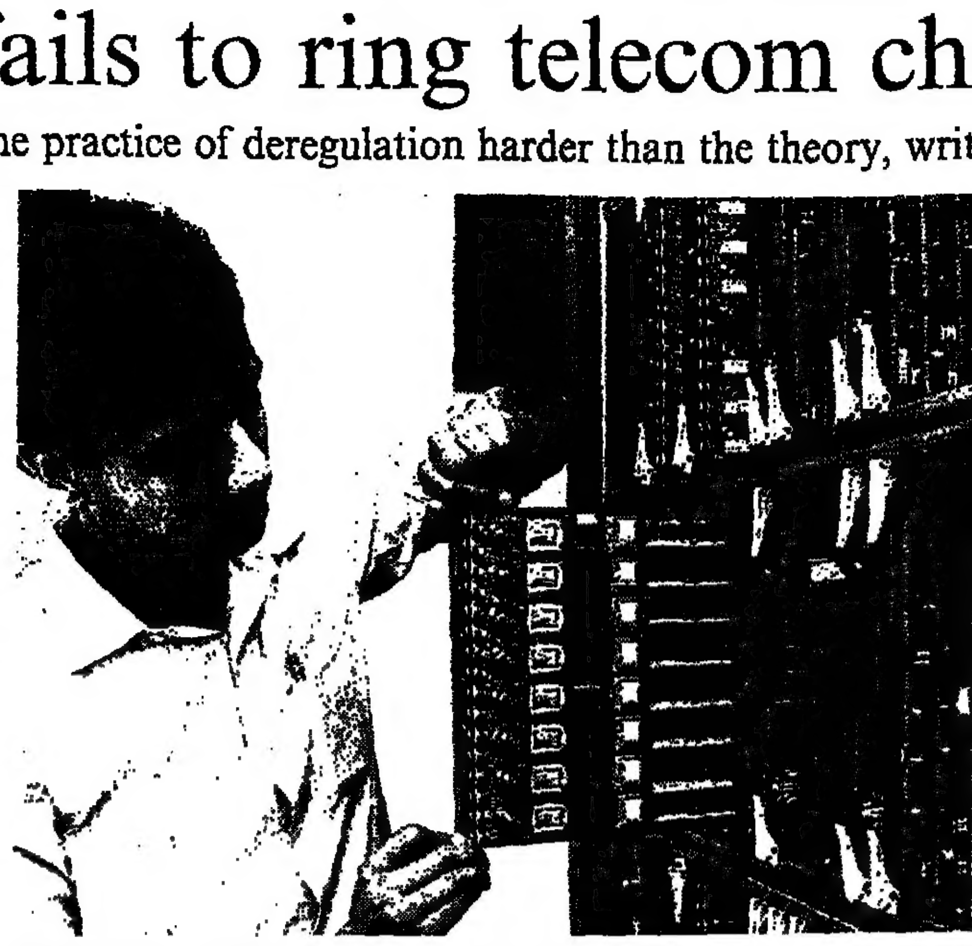
WHEN India announced in 1991 that private companies would be permitted to enter its tightly-controlled state-owned telecommunications industry, executives from the biggest names in the business hurried to New Delhi to examine the opportunities in what promised to be a multi-billion dollar market.

They need not have rushed. Eighteen months later, the government has come to a grinding halt in its efforts to attract domestic and foreign groups into two key areas – the supply of telephone switching equipment and the establishment of cellular telephone networks in the four big cities of Delhi, Bombay, Calcutta and Madras. Companies seeking the switching gear contract have run into a complex dispute over technical standards. Bidders for the cellular phone licences have fared even worse – the tenders have been referred to the Delhi High Court amid allegations of corruption, mismanagement and nepotism.

The telecom disputes highlight an important failing of India's much-vaunted economic reforms – the inability to implement policy decisions. As a telecommunications ministry official admits: "Having opened up the market to international investors, the government has failed to devise a system for the award of the contracts which is not only fair but which also appears to be fair."

The contracts for cellular telephones were awarded amid tough competition, controversy, and protests in parliament about the need for a sophisticated mobile network. Many MPs felt the money would have been better spent on more ordinary telephone lines which number just 0.52 per hundred Indians.

Eight companies, two for each city, were shortlisted from 30 original bids. The successful foreign groups, all teamed with Indian partners included General Mobile and Vodafone of the UK, Société Française du Radiotéléphone and France Télécom from France, the Australian and Overseas Telecom Corporation (AOTC), and three Bell companies from North America.



Switching gear manufacturing in India: disputes over technical standards

Two unsuccessful bidders decided to sue, accusing the government of corruption and arbitrariness. IXL, a telecom company belonging to the Delhi-based Dalmia group, and Anido, a member of Bombay's Onida electronics group, filed a joint petition in the Delhi High Court in November, maintaining that "the selection criteria were neither properly evolved or applied".

A month later, Hutchison Max, a joint venture between the Hong Kong-based Hutchison Whampoa and the Delhi-based Bhai Mohan Singh group, filed another petition, claiming that though its tenders for Bombay and Delhi ranked highest in the selection process, they were disqualified because of a typographical error in their compliance statement. Both petitions allege that BPL Systems and Projects which has tied up with France Telecom and been awarded the Bombay contract, has "grossly violated tender conditions". Hutchison Max's petition has been supported by a winning bidder – Tata Cellular, which together with Bell Canada, has been awarded part of the New Delhi network. Tata Cellular contends that the selection process "is subjective and based on erroneous assumptions".

The Hutchison Max petition complained of "hidden evaluation criteria". It alleged that Mr B R Nair, a member of the government's Telecom Commission, who as "chiefly responsible for recommending the rejection of the Hutchison Max bid was well aware of the fact that the key beneficiary of this decision would be BPL. Knowing that his son was working with BPL, such a decision smacks of nepotism/favouritism and an arbitrary exercise of power." Mr Nair denies the allegation.

A judgment from the Delhi High Court is still awaited, over two months after the hearings ended, and India's cellular mobile plan will have to wait.

The government's plan to purchase switching equipment worth Rs1.5bn (£35m), to meet its ambitious target of providing 1.1m new telephone lines in 1993-94, also ran into trouble, with almost all the major bidders, including Siemens and Ericsson, failing to pass the stringent technical validation tests stipulated by the telecommunications ministry. Fujitsu of Japan passed the validation test and is awaiting a firm contract from the government. No one is openly questioning the ministry's technical expertise to evaluate the tenders but the foreign bidders are unhappy with the selection procedure. "What was most frustrating was that at no point did the government specify which of the 40-odd tests each company had failed to clear," says a senior manager of one of the unsuccessful companies.

The disputes and delays have brought sharply into focus the need for reform of the public sector tendering system and for a less arbitrary and bureaucratic method of selection.

The snags in India's telecom privatisation programme could adversely affect the country's entire economic reforms effort, admit government officials. "Though the importance of telecoms is slowly dawning on the government, there seems a bureaucratic reluctance to get projects off the ground, and give foreign investors the impression that things are moving," says a top official of a telecom company.

The World Bank, in a report on Indian telecommunications, suggested radical management and infrastructural reform. The telecom services in India, notes the report, are pitifully thin compared with other developing countries. Subscribers sometimes wait ten years for a telephone connection. The bank felt that even eight times the existing 5.8m lines could be effectively put to use by a population exceeding 850m.

The government's expansion plan envisages only 20m lines by the year 2000. Businessmen and others can pay stiff fees to secure lines on a priority basis. But they are still hampered by the poor quality of much of the network. Thus, cellular phones are expected to be very popular – if and when the government allows companies to provide them.

IMF likely to reject Kenya's plea for aid

THE Kenyan government yesterday pressed the International Monetary Fund to resume aid, after effectively floating its currency, the shilling, last week, Reuter reports from Nairobi.

Government officials said Mr Musalia Mudavadi, finance minister, and Mr George Saitoti, economic planning minister, discussed Kenya's faltering economic performance with a visiting IMF team, but declined to divulge any details.

State radio said the government had taken "far-reaching financial reforms" and that aid should not be withheld because it "weakened the economy and caused misery to millions".

The IMF delegation is in Nairobi for two weeks to examine government books to see if Kenya can qualify for aid worth about $350m (£246m) a year, frozen in November 1991 to force the government into economic and political reforms.

Western donors said they could not prejudge the outcome of the talks but thought it unlikely aid would be resumed soon, despite measures over the past two weeks which should impress the IMF.

They said recent action to liberalise the foreign exchange market and grain trade had gone far to meet demands sought by bilateral and multilateral donors, but that the government still had a lot to do.

Last Friday, on the eve of the IMF team's arrival, Mr Mudavadi announced the effective flotation of the Kenyan shilling. He said only government debt servicing and imports would use the official central bank exchange rate of around 36 shillings to the dollar, and importers could henceforth freely buy foreign exchange from commercial banks.

AT&T in venture with Beijing

By Martin Dickson in New York

AMERICAN Telephone & Telegraph, the US telecommunications group, moved yesterday to establish a much stronger presence in the potentially huge Chinese market by signing a memorandum of understanding with the Beijing government's state planning agency for joint development of the country's communications infrastructure.

Mr Randall Tobias, vice-chairman of AT&T, said that projects contemplated in the partnership were "potentially among the most extensive in our company's history".

The putative projects include local manufacturing and research and development in at least 10 areas, ranging from network management to customer premises equipment and cellular communications systems.

The first stage of the partnership would be the establishment of a joint venture to make AT&T's advanced 5ESS switch in China.

This would require US government approval.

However, no difficulties are expected as AT&T already sells switching and transmission systems to China.

AT&T said the agreement could lead to billions of dollars in revenues. But it will face fierce competition for contracts from European and Japanese equipment manufacturing rivals, notably Alcatel of France, which is believed to be the largest supplier of switching equipment to the Chinese market.

Norway eases S Africa sanctions

NORWAY yesterday announced plans partially to lift economic and trade sanctions against South Africa, writes Karen Fossli in Oslo.

A ban on trade, services and investments, implemented in 1986 and 1987, would be lifted from March 15 but an embargo on sales of oil and weapons would be upheld.

Norway's exports to South Africa, comprising mainly iron ore, fish, fish products and mechanical equipment, fell to NKr56.2m (£5.6m) in 1987, after sanctions were implemented, from NKr348.3m in 1986.

Norway said the time had come to introduce new political instruments to promote democracy in South Africa; it had formulated a five-point programme to provide assistance during the transition.

Meanwhile the Swedish government said yesterday it hoped to lift sanctions against South Africa within a few weeks, writes Christopher Brown-Humes in Stockholm.

Mr Carl Bildt, Swedish prime minister, said: "It is a matter of weeks", but he stressed removal of sanctions would be conditional on continuing democratic reforms in South Africa.

Sweden banned investments in South Africa in 1979 and imposed a ban on trade in 1987.

New Zealand to see 3% growth

By Terry Hall in Wellington

NEW ZEALAND'S economy should continue to grow by 2.5-3 per cent a year until 1994, with growth led by exports and increasingly supported by domestic demand, the OECD says in its latest survey.

Low inflation and more efficient use of labour should lead to increasing international gains in competitiveness. But import demand is also likely to pick up, making further improvements in the current account difficult.

The competitiveness gains follow a long and painful period of adjustment since 1984, and "may provide a harbinger of stronger growth based on expanding the range and market share of New Zealand exports".

But there are risks which "could deny this outcome", the greatest of which would be a deteriorating external environment. A slowdown in world economic activity or increasing trade protection abroad could adversely affect export revenues, either by depressing prices of traditional commodities exports or by limiting opportunities for other products.

With high levels of public debt and sizeable projected budget deficits, the economy also remained exposed to adverse interest rate movements and other external shocks.

The OECD noted the budget deficit in the year to June 1992 was 1 percentage point higher than projected, at 3.4 per cent of GDP. The government's finances were an area of concern, and continued spending restraint was essential.

"Given the high level of external debt, it is vital that the confidence of foreign investors in fiscal policy is maintained and any risk to long-term interest rates minimised." The deficit was projected to rise in the current year, before falling to 2.7 per cent of GDP by 1994-1995. But this depended on a sustained recovery with inflation of 0-2 per cent.

In a generally optimistic report, the OECD said the present policy environment in New Zealand would support a transition to faster growth, lower inflation, greater labour flexibility, stronger export performance and the growing international orientation of the business community. But greater attention should be paid to training, education and skills shortages.

Test for firm money policy

THE success of the transfer to New Zealand's central bank of control over monetary policy will be fully tested in the next few years by more rapid economic growth, the OECD says in a review of the country's Reserve Bank Act, writes Terry Hall.

In its latest survey of New Zealand, the OECD says the act, which makes price stability the sole objective of monetary policy, has "significantly enhanced" policy credibility over the past two years in securing low inflation targets.

"Despite the exchange rate depreciation of 1991, the adjusted CPI increase, used as a measure of underlying inflation, is still running at the bottom of the Reserve Bank interim target band for 1992 of 1.5 to 3.5 per cent, and is expected to remain within the target range of nil to 2 per cent to the end of this year."

The OECD said the recession had contributed to the achievement, but the existence of the target had seemingly strengthened the resolve of the authorities to take necessary (monetary policy) measures.

"The importance of the act lies in its future contribution to sustained price stability." It said this will be tested in the coming years.

Yemeni parties jostle for votes and credibility

Eric Watkins looks at contenders in first parliamentary elections

YEMEN'S parliamentary elections on April 27 are viewed by some as a test case for democratic reform in the Arab world.

But a weak economy, social unrest and political squabbling have clouded the electoral process and there are no guarantees of a smooth transition to the hoped-for democracy.

At issue are the 301 seats in the Yemeni parliament. But the future of the present government is in doubt since the parliament must choose a new president. "And that" said a Yemeni academic, "is what the whole contest is all about."

The government was formed on May 22 1990 when the former North and South Yemens united. Essentially a coalition between the south's Yemen Socialist party and the north's General Peoples' Congress, the government was charged with effecting democratic elections by the end of November 1992.

Elections were delayed because disagreements between the coalition partners held up the selection of a committee on electoral procedures.

Since then, the country has witnessed continued wrangling between the ruling parties, riots which left some 15 dead and 100 injured, and a spate of bomb attacks which killed two people and narrowly missed 100 US soldiers quartered in Aden as part of Operation Restore Hope.

Though partners in the transition government, the GPC and YSP are also contenders in the election. This has created tension and, according to Yemen's prime minister, Mr Haydar Abu Bakr Al-Attas, it is the lack of accord between the two ruling parties which has caused the recent troubles.

Referring to "differences" between the YSP and the GPC, the prime minister said in December that they "had paved the way for erroneous action and behaviour and for all the damage these could cause to the economic, social and political situation".

Led by the President, General Ali Abdullah Saleh, the GPC was once considered the favourite to win any election. Seen as the architect of unification, a highly emotive issue in Yemen, Gen Saleh was at the peak of his popularity in the early days of the new state.

But 36 per cent unemployment, 100 per cent inflation for the second year running, and widespread suspicion of corruption in his government, now mean Gen Saleh can not count on a majority in the election. The GPC has lost ground and is campaigning to regain voter confidence.

The YSP has gained considerable ground in the past nine months. Headed by the vice-president, Mr Ali Salem Al-Beidh, the YSP was highly unpopular at the time of unification and generally considered a spent political force.

Since then the YSP has used key positions in the government, civil service, the military and the labour unions to extract concessions from the president and to drum up popular support. And, in contrast to the GPC, the YSP is not under suspicion of corruption. Still, the more populous northerners harbour doubts about the Socialists and are unlikely to grant them a clear majority in parliament either.

The other main contender for power is the Islah party, an uneasy union of tribal and Islamic elements, headed by the tribal leader Sheikh Abdullah bin Hussain Al-Ahmar and the fundamentalist preacher Abdul Mujeed Az-Zindani.

Islah represents some of the most conservative elements in Yemeni society and has appeal in a country where nearly half the population of 14m live in villages of fewer than 250 inhabitants. However, Islah it is perceived as a party rooted in the past and although it will be a force in the elections, it is unlikely to carry a majority.

Apart from the GPC, the YSP, and Islah the remainder of Yemen's 40 or so political parties are loosely grouped together in a rainbow coalition called the National Conference. Although it has become a political conscience, condemning the transition government at every opportunity, it lacks popular appeal and is unlikely to command much electoral support. But through its criticism, the National Conference will be a focus for public scrutiny of the major parties.

So far there appears to be no clear victor in sight, but if the squabbles continue, democracy could be the loser. The recent troubles have at least brought recognition of the potential crisis facing the country and of the pressing need to do something about it.

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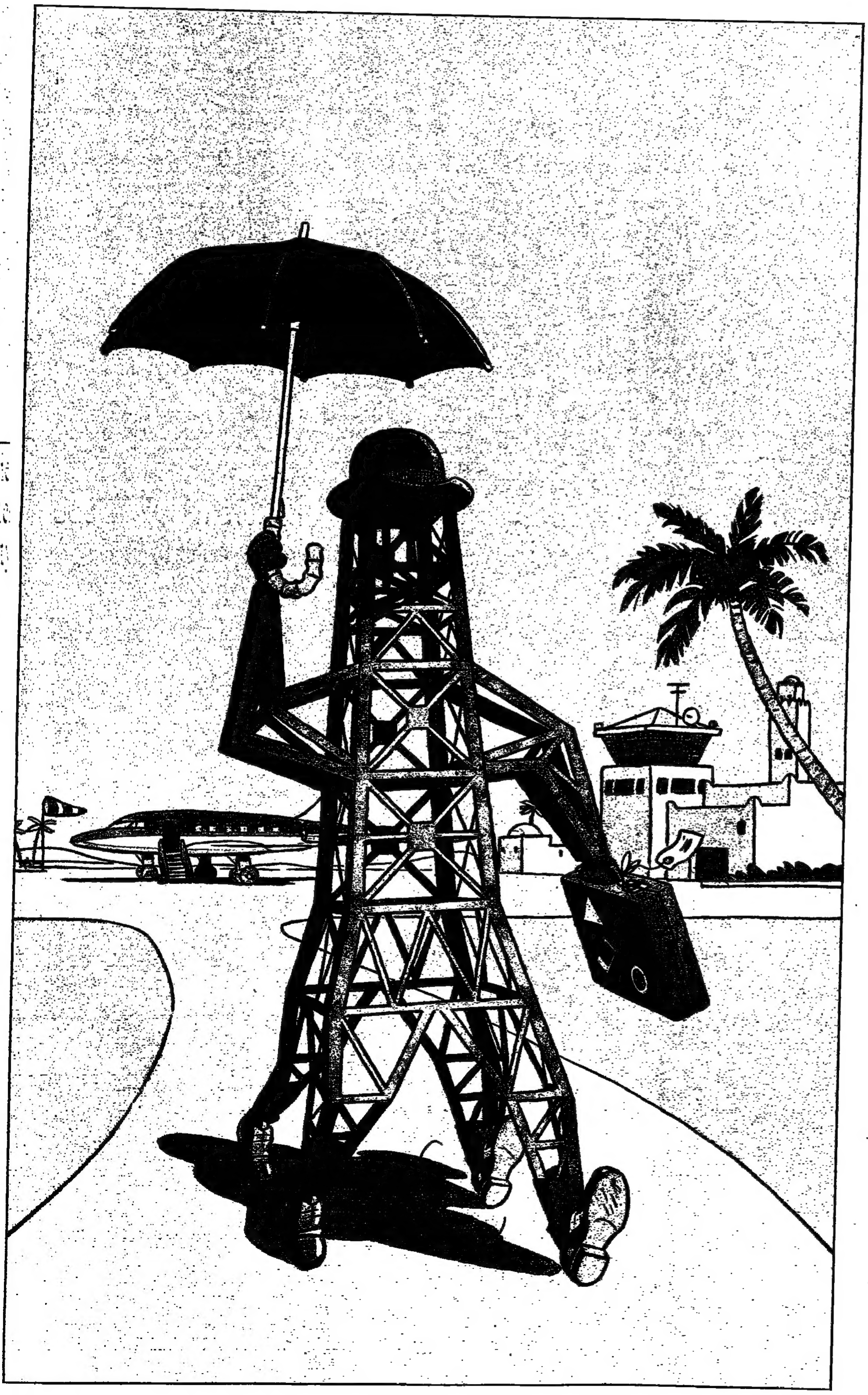

Where do you go when you're already the leading power generating company in the U.K.? Why, overseas of course. Which is why we are launching a new division, "National Power International," to operate and expand that side of our activities. In fact, a National Power-led consortium has just won one of the biggest independent power contracts in Europe, to buy and operate the Pego coal-fired station in Portugal. By the year 2000, (is it only seven years away?) National Power expects to invest more than £1 billion in overseas projects. But all this is hardly anything new to us. As it is, we're already involved in the development of major power projects in Pakistan, Malaysia and now of course, Portugal. In fact, to date, our experience abroad stretches across 75 countries worldwide. "National Power International" is part of our long-term growth strategy. Today Britain, tomorrow...well let's not get too carried away.

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Fall in US confidence shrugged off

By Michael Prowse in Washington

THE US economic outlook remains bright in spite of an unexpected fall in consumer confidence this month, economists said yesterday.

The Conference Board said its closely-followed index of consumer confidence fell 8 points to 68.5 this month. This followed a smaller dip in confidence in January.

Most analysts, however, brushed off the figures, pointing out that the survey was conducted during the wobbly initial weeks of the Clinton administration, when the focus was on divisive issues such as gays in the military and the search for an attorney general.

The successful launch last week of President Bill Clinton's deficit-cutting economic package is expected to shore up confidence in March.

Many forecasters now expect the Commerce Department to revise up its estimate of gross domestic product in the fourth quarter of last year to show growth at an annual rate of nearer 5 per cent than the 3.8 per cent initially reported.

The expected upward revision reflects new data showing a higher level of corporate inventories, a stronger trade performance and more buoyant consumer spending than previously estimated.

However, the consensus view is still that growth will decelerate somewhat in the current quarter to an annual rate of about 3 per cent, reflecting a cooling of consumption spending and weaker net exports as a result of the economic slowdown in Europe and Japan.

Looking further ahead, however, the sharp recent decline in long bond yields to below 7 per cent – a reflection of bond market approval of the administration's plan to cut the deficit – is expected to stimulate growth by sharply reducing the cost of servicing consumer and corporate debt.

Mr Fabian Linden, for the Conference Board, said the drop in consumer confidence was "disconcerting" and mainly reflected increased apprehension about future prospects rather than current economic conditions.

Relative to January, there had been a significant rise in the proportion of respondents expecting business conditions to worsen and jobs to become more scarce.

A rebound in confidence seems likely, however, because more recent opinion polls indicate strong initial public confidence in the administration's plan to strengthen the economy. In congressional testimony yesterday, Mr Lloyd Bentsen, Treasury secretary, said the package provided both an immediate stimulus and a "downpayment" on the longer-term investments that would create new jobs.

Tax team put in place

MR Lloyd Bentsen, US Treasury secretary, has put his tax team into place with the nomination of Mr Leslie Samuels to be assistant secretary for tax policy, and of Mrs Peggy Richardson to be commissioner of the Internal Revenue Service, George Graham writes from Washington.

Mr Samuels is a partner with the New York law firm of Cleary, Gottlieb, Steen and Hamilton, while Mrs Richardson is a partner in the Washington office of Sutherland, Asbill & Brennan, and specialises in tax and insurance regulation.

The appointments to the senior tax positions at the Treasury have been the subject of considerable interest for foreign companies and tax specialists, because of the recent attention which has been paid to issues of transfer pricing and multinational taxation.

Washington lawyers said Mr Samuels was a widely respected practitioner with an extensive background in foreign taxation issues.

In addition, he has worked closely in the past with some of Mr Bentsen's aides from the Senate finance committee who have already been installed in the second tier of the tax policy division.

These include Mr Sam Sessions, former chief tax counsel on the committee, who has been in effective charge of the task of drawing up the tax measures contained in President Bill Clinton's economic plan announced last week.

Oil companies prepare for battle over energy levy

By George Graham in Washington

US OIL companies have begun to challenge President Bill Clinton's proposal for a new tax levied on the energy content of fuels, but the administration is hitting back by dubbing its critics lobbyists for special interests.

The American Petroleum Institute has questioned the administration's figures for the tax, claiming that it will cost the average family $475 a year – four times the Treasury's estimate of its impact – and claims it will cost 700,000 jobs.

But Mr Lloyd Bentsen, the treasury secretary, yesterday said the API's figures were "just wrong", and other members of the administration weighed in against the oil industry assault.

"A plan that is bold like this is going to have a lot of special interest opposition across the board, and so you are seeing the beginnings of it," Mr Leon Panetta, director of the Office of Management and Budget, said yesterday.


Clinton: wobbly weeks

However, some oil industry executives have backed the tax. Mr Lodwrick Cook, chairman of Arco, said that by spreading the cost throughout the economy, the proposed tax would not unfairly burden any single sector of the economy or region of the country.

The new tax will be imposed at a rate of 25.7 cents per million British thermal units on coal, nuclear energy and gas, and at a much steeper rate of 59.9 cents per million BTUs on oil.

● Mr Clinton said yesterday he would soon propose easing bank regulations to try to alleviate the "credit crunch" that many businesses feel has stopped them from getting loans. Meanwhile, Mr Alan Greenspan, chairman of the Federal Reserve, told a congressional committee there was no question the credit crunch still existed, and said the Fed believed some banks had become too cautious about lending.

Dark cloud of devaluation gathers over Mexico

Stephen Fidler and Damian Fraser examine an issue increasingly preoccupying business and government

DESPITE THE broad and widely-applauded economic reforms of the government of President Carlos Salinas, concern about a devaluation over the next two years is growing among Mexican bankers, businessmen and – though loath to admit it – government officials.

"I've a lot of clients in the US and elsewhere and all they are talking about is the exchange rate, the exchange rate, the exchange rate," says Mr Jonathan Heath, who heads Macroeconomia Asesoria, one of Mexico City's largest private economic consulting firms.

The reason is an expanding current account deficit, widely forecast to rise to $27bn (£19bn) this year (about 8 per cent of gross domestic product) from an estimated $21.5bn in 1992. Imports have been growing at 24 per cent a year since 1989; the figure for exports is 7 per cent. Unlike in the early 1980s the problem is not the government running a budget deficit, but the private sector.

It is, nonetheless, a potential government problem. The current account deficit is expanding even as economic growth is slowing, from 3.6 per cent in 1991 to an estimated 2.7 per cent last year. The government has to keep interest rates high and the budget in surplus to ensure that capital continues to flow into the country to finance the deficit, a policy that is further slowing growth and partly explains recent declines in the stockmarket.

For now the flows are continuing. However, a significant proportion – an estimated third to a half – is unstable capital. Mexican and foreign investors are switching funds out of dollars to invest in Mexican Treasury bills, local currency deposits and other short-term funding to take advantage of interest differentials between the US and Mexico. "The cost of current policy is that Mexico is very vulnerable to capital flows. The picture can change in less than 30 days," says Mr Heath.

Some economists think the government would be well advised to devalue the currency sooner rather than later – the usual suggested figure is by 10 to 20 per cent – in an atmosphere of calm, rather than risk a crisis next year when Mr Salinas steps down.

Mr Rogelio Ramirez de la O, a private consultant based in Mexico City, thinks that if the currency is devalued early, accompanied by further structural reforms, then Mexico could again enter a virtuous cycle and the government would no longer be so vulnerable to capital flows. It would also allow interest rates to fall and government spending to increase, giving growth a push.

The government made an unexpected change in exchange rate policy last October. It switched from a pre-set daily devaluation against the dollar equivalent to 2.4 per cent a year, to an exchange rate target range which widens daily. If the peso falls to its lowest permitted point, the new policy would permit a 9 per cent depreciation of the peso this year. Government officials say that under pressure they would widen the target band to allow for a faster depreciation.

But Mr Ramirez reckons this could be the worst of all worlds: higher interest rates would be needed to compensate investors for increasing exchange rate uncertainty, without removing the threat of a devaluation.

However, the idea of a steep devaluation faces strong opposition, led by Mr Pedro Aspe, finance minister, in the Mexican cabinet. "It would be like committing suicide because you're afraid of death," said one senior official last week.

He said a devaluation would probably be reflected in higher inflation rather than increased competitiveness, and rejected claims that the size of the current account deficit suggested a weakness in the economy. On the contrary, he argued, the government's economic reforms had resulted in a faster and deeper structural adjustment in manufacturing industry than expected. But this had meant that more old factories were being closed – indicating a swifter depreciation of existing capital stock – and had raised demand for new investment (and imports).

The structural adjustment, by increasing productivity, should be worth a 10 per cent devaluation in terms of competitiveness and, once completed, should allow the economy to grow at an annual 5 per cent rather than 3 per cent, the official said.

However, some observers think the government's resistance to devaluation has much more to do with politics than with economics. "Politics aside, a devaluation would be a good thing economically," says Mr Heath. "Politically, it would be a disaster: nearly every Mexican devaluation has been accompanied by the resignation of the finance minister and central bank governor."

Mexican public opinion, moreover, is not sensitive directly to increased interest rates because people have little access to credit or mortgages. On the other hand, opinion is more sensitive to inflation, since only a minority has access to interest-bearing bank accounts to cushion its effects.

Furthermore, a devaluation would damage the annual pact between government, labour and business which had trade unions agreeing to keep wage rises below 10 per cent this year. Devaluation to make Mexican goods more competitive might also harm efforts to get the North American Free Trade Agreement ratified by the US Congress this year.


Salinas: reforms applauded

Indeed, Nafta is the key from the government's point of view. With the uncertainty about its ratification removed, more direct investment would be expected to flow into Mexico, bolstering confidence and providing an anchor for more short-term capital. If Nafta were called off, the shock would make a devaluation all but inevitable.

Argentina to close debt deal in April

By Stephen Fidler in New York

THE Argentine government will conclude an accord with international bank creditors on April 7, said Mr Domingo Cavallo, the Argentine economy minister, and Mr William Rhodes, vice-chairman of Citibank, in New York yesterday. Citibank heads Argentina's bank advisory committee.

Argentina will conclude the deal by exchanging two types of new concessional bonds for the $20bn (£14bn) in bank loans held by more than 750 creditors.

Creditors holding 99 per cent of the debt have already signed the debt accord, which was agreed in principle last April 7.

Argentina will also issue $8bn of new bonds covering interest arrears, but they will be placed in an escrow account until the claims from creditors for past due interest are fully reconciled.

NEWS: WORLD TRADE

US to stick to EC aviation aid deal

By David Gardner in Brussels, Ralph Atkins in London and Nancy Dunne in Washington

THE US administration will stick by last July's agreement with the EC limiting government financial support to their respective civil aviation industries, despite President Bill Clinton's recent attacks on Airbus subsidies.

A spokesman for Sir Leon Brittan, the EC trade commissioner, said a senior US official yesterday responded to the European Commission's request for clarification of the president's remarks by saying "we won't be opening [the subsidies agreement] up; we intend to stick to it."

Earlier yesterday the Commission had again challenged the US to live up to its undertaking with the EC.

Officials pointed out that the terms of the agreement precluded either a review or any party's withdrawal before July 1994.

Last July's deal settled a potentially explosive five-year dispute over Airbus subsidies, provoked by the European consortium's increasing success against Boeing and McDonnell Douglas in world markets. The agreement outlaws future production and marketing subsidies, and caps development subventions at 33 per cent.

The US manufacturers, which get big indirect subsidies through the American defence and space budgets, will see these subsidies capped at 3 per cent of industry turnover, or 4 per cent of company sales.

In London, Downing Street indicated that Mr John Major would take a firm line in defending the financial support given to the Airbus project when he meets Mr Clinton in Washington today.

Downing Street pointed out that the US government supported its domestic aircraft industry via Nasa. The UK provided £700m of launch aid to Airbus and had already recouped £140m from levies on the sale of the A320 aeroplane, it added.

Britain expects all the launch aid to be repaid over the life of the Airbus project.

Mr Clinton told cheering Boeing workers on Monday that he would seek "tough new discipline" on subsidies granted to Airbus while "closely monitoring" the pact. Any new measures tightening the rules on subsidies are likely to be brought up in the multilateral negotiations under the Gatt aircraft code, according to sources close to the administration.

When the bilateral deal was concluded last July it contained an agreement to "multilateralise" the limits on support.

Failure to do so after a year could clear the way for either party to withdraw from the agreement. However, even if the subsidies limits are agreed multilaterally, both the US and Airbus country governments still have the option of walking away from the pact.

The administration is by no means set on a course of action. The US industry has been reluctant to act against a rival which is also a customer. But one option under consideration is the filing of a countervailing duty case under US trade law. This would at least counter Airbus subsidies in the US market.

Canada pushes ahead with Nafta

By Bernard Simon in Toronto

Michael Wilson: legislation

CANADA is taking steps to ensure that the North American Free Trade Agreement (Nafta) is on the statute book before the general election later this year.

Mr Michael Wilson, trade minister, may introduce in parliament as early as today legislation implementing the Nafta provisions. The accord, signed by the US, Mexico and Canada last year, is due to take effect next January 1.

Passage of the bill through parliament is likely to take several months and to be fought at every stage by both main opposition parties, the Liberals and New Democrats. However, Mr Wilson and his Conservative colleagues appear eager to present Nafta as a fait accompli during the election campaign which is expected to start in late summer or early autumn. The Liberals, who are far ahead in public opinion polls, have yet to spell out a clear policy on the agreement.

Opposition to North American free trade is far more widespread in Canada than in either the US or Mexico. A Gallup poll last autumn revealed that 60 per cent of Canadians believe Nafta will on balance be bad for the country, against 27 per cent who think it will do more good than harm. Only 24 per cent of Americans and 17 per cent of Mexicans were against free trade.

A trade official said Ottawa expected the Clinton administration to submit Nafta legislation to Congress in late spring or early summer, pending negotiations with Congress. After that, it thought passage of the bill would be relatively quick.

In Mexico, most of the Nafta provisions are self-implementing or can be put into force through executive regulations.

US, Canadian and Mexican officials are due to start talks next month on parallel agreements covering environmental and labour issues.

Time for stocktaking in steel talks

US and EC negotiators meet today in a sombre mood, writes **David Dodwell**

THE mood at today's Geneva negotiations aimed at formulating a multilateral steel agreement is likely to be tense. World steel exporters continue to fume at US dumping and countervailing duties that have virtually closed the US market to their products, while the EC is mulling steel production quotas and considering Ecu900m (£743.4m) in aid for steel plant closures.

"It should be apparent within five minutes whether headway is likely to be made," said one senior US official. Three days have been set aside for the talks, which broke down in Geneva in March last year. Officials say it will be an encouraging sign if talks continue into the third day.

Negotiators are not expecting any breakthrough. US negotiators may not quite be working in a policy void, but will need more time to receive clear trade guidelines from the new Clinton administration.

Mr Rufus Yerxa, former US ambassador to the General Agreement on Tariffs and Trade, has yet to be confirmed formally as deputy to Mr Mickey Kantor, the US trade representative, and until that time negotiators have no one to take instructions from.

Similarly, EC officials seeking a solution to the problems of chronic steel overcapacity among member states may not appreciate their hands being tied at this stage by a multilateral agreement. A meeting in Brussels tomorrow on reorganisation of Europe's steel industry is probably a more pressing priority.

The meeting will thus focus on "stocktaking", taking the draft agreement abandoned in March last year and ensuring there is agreement on what the package aims to achieve.

For many the meeting will be a first opportunity to vent spleen against a blizzard of dumping actions taken over the past three months.

Most sweeping have been US actions, announced late in January, which targeted carbon steel products from 19 countries, levying duties of up to 110 per cent. Significant also have been EC duties imposed on exporters from eastern Europe.

The firm message from US steel producers is that there must be no dilution of US national trade laws – in particular the countervailing duty laws that target foreign subsidies. These and dumping actions have been used to great effect since November to shore up the domestic industry.

As imports have been priced out of the market by high dumping duties, local steel prices have risen by at least 5 per cent, giving much-needed relief to less-efficient local producers.

A year ago, the EC and other steel exporters were demanding that the US agree to a period for consultation before unleashing dumping or countervailing duty actions. They will be keen to know whether the US remains as fiercely opposed to this today as it was last March.

The issue of subsidies will be high on the agenda. The last draft multilateral steel agreement bans subsidies for steel industries except where specific waivers are agreed. These would be confined to environmental needs, research, aid for laid-off workers, and for company closures. The US is likely to see the latest EC proposal to provide Ecu900m in aid for steel-workers laid off by plant closures as a litmus test: US steel companies have had no such help in coping with closures.

An issue that is not likely to be pressed by US negotiators will be the call for renewal of any "voluntary restraint agreements" – the expiry of which in March last year triggered the US dumping and countervailing duty actions.

The VRAs were in force for 10 years, but by 1991 exporting countries were taking up no more than 60-70 per cent of the quotas allowed them under the restraint agreements. "The problem was not the volume of imports, but the price," commented one US trade lawyer.

A lonely US lobbying voice is likely to be the steel users, who insist that the recently imposed dumping duties "are already generating shortages, price increases, inflation, and increased retaliation" by trade partners such as Mexico and Canada.

The American Institute for International Steel, which represents these importer interests, says dumping margins were overstated by at least 12 per cent because of currency fluctuations.

US trade experts said these contrary US voices were unlikely to receive much attention in the US until shortages of certain steel products became acute, perhaps by May. By then, President Bill Clinton's trade policies are likely to be more clearly formulated, and substantive negotiations towards an MSA may be renewed.

Meanwhile, it will not be overlooked by US negotiators that the EC delegation is taking the opportunity of its visit to Geneva to present to the Gatt its case for contesting the US dumping and countervailing duties as illegal under international trade law. This is the first step towards a formal Gatt panel investigating the US actions.

Both sides will be hoping that a multilateral steel agreement can be in place soon enough to avert a full Gatt challenge.

UK upset over minimum price plan

EUROPEAN Commission plans to press for minimum prices on east European steel exports go against the spirit of free trade agreements with emerging democracies to the east, according to Britain, Andrew Hill writes from Brussels.

Brussels has said the EC should persuade east European governments to impose minimum prices over three years, or face stiff anti-dumping duties. Community industry ministers will discuss the plan tomorrow, when they are expected to give initial political backing to an overall programme of support for the ailing EC steel industry, in exchange for deep cuts in capacity.

Britain made the development of partnerships with eastern Europe a priority of its EC presidency, which ended in December, and believes the Commission proposals run counter to the conclusions of the Edinburgh summit.

EC leaders at Edinburgh called for implementation of last year's commercial and political agreements with the Czech and Slovak republics, Poland and Hungary "speedily and in full".

However, it is already clear that the British position is unlikely to win much support in tomorrow's council. Germany, Italy and Spain are said to be particularly eager for more protection against cheap imports.

New exports cover for Poland urged

BRITISH exports to Poland could rise as high as £1bn a year if cover provided by the UK's Export Credits Guarantee Department, removed in 1982, were to be restored, the British Chamber of Commerce in Warsaw has told Mr John Major, the British prime minister, Christopher Bobinski writes from Warsaw.

The letter marks an appeal for ECGD cover to be resumed and comes on the eve of a visit to London by Ms Hanna Suchocka, the Polish prime minister, next week. Last year British exports expanded by 75 per cent to £605.6m. If oil and petroleum revenues are removed, sales grew by a mere 14 per cent.

Turks in Russian petrochemical deal

By John Murray Brown in Ankara

A PRIVATELY-OWNED Turkish construction company is to build a $115m (£81m) petrochemical plant in Russia, financing the scheme by selling the product on international markets.

Tekfen Holding, one of Turkey's largest companies, initialled an agreement in Moscow with Zangas, the state agency which runs the gas complex at Stavropol.

Construction will take two years. The proceeds from sale of the output will be paid into an escrow account to repay the banks. The company hopes to win financial support from the European Bank for Reconstruction and Development as well as Turkey's own Eximbank.

Tekfen, the first Turkish group to build a petrochemical plant, will install equipment delivered to the site more than three years ago by the British company John Brown Engineering, but never erected.

The plant will have annual capacity of 100,000 tonnes of polypropylene, a raw material for the plastics industry.

Tekfen has already secured a government licence to export the product. However, agreement has still to be negotiated with Gasprom, the Russian gas utility, to supply the plant's raw material. Tekfen also has to agree financing guarantees with the banks.

TV company plans 180-channel system for Europe

By Raymond Snoddy

A 180-CHANNEL satellite television system could be available throughout Europe by 1995 using the latest digital technology, industry officials said yesterday.

Société Européenne Des Satellites, the Luxembourg-based company that operates the Astra satellite system, has decided to launch two satellites with digital television capacity.

This system is expected to give much improved picture quality and enables a far greater number of television signals to be transmitted.

Work has already begun on the satellites which could offer unprecedented choice to European viewers.

Mr Celso Azevedo, technical director of SES said yesterday that by compressing the digital signal the satellites would be able to deliver 180 channels of television.

Speaking in London at the Financial Times Cable and Satellite conference, Mr Azevedo said: "We may have digital television available to the consumer by 1995."

Astra already operates two 16-channel satellites carrying everything from Sky Television to Cable News Network and Eurosport.

A third satellite is now being completed and is due to be launched this spring.

The fourth and fifth Astra satellites – one due to be launched next year and the other in 1995 – will have the digital capacity.

The SES executive said there were also proposals not yet confirmed for a sixth Astra satellite. The company is also considering the possibility of launching further satellites taking the total number of channels to 360.

Apart from a relatively modest expansion in the number of conventional television channels that could be made available, the main opportunity in such a large number of channels lies in charging for individual films.

As many as 50 or 60 channels can be devoted, for example, to showing the top 10 films. The transmission times of films are staggered so that the viewer is never more than 20 minutes from a start of any film. Digital television could also offer wide screen television pictures.

In the US, meanwhile, Hughes Communications, part of the Hughes Aircraft Company, is also planning to launch a 150-channel system using digital compression technology.

Talks had already begun with microchip manufacturers and SES believes the special decoders needed to receive the digital pictures could be available by 1994.

SES emphasised yesterday that if digital television was going to be a success there would have to be agreement on a single transmission standard.

It was also vital to establish a common encryption system.

The encryption, or scrambling system, is an essential part of subscription television. It makes the picture unwatchable for those who have not paid. The picture is "unlocked" by a smart card that looks like a credit card.

● The UK government has the power to take immediate action against Red Hot Dutch, the pornographic TV channel transmitted to Britain via satellite from Denmark, a top European Commission official said yesterday.

Mrs Colette Flesch, director-general of the EC's audio visual, information, communication and culture group, told the Financial Times conference: "We in the Commission firmly believe that the UK authorities have the means to suspend and stop such a broadcast."

Hong Kong family may buy London landmark

By Richard Donkin and Jimmy Burns

BATTERSEA Power Station, the derelict south London landmark, is expected to be sold shortly following an exchange of contracts between a Hong Kong property family and Battersea Leisure, the company which tried and failed to turn the site into a theme park.

Mr George and Victor Hwang, the brothers who are leading negotiations on behalf of their family, were last night flying to London to finalise the deal for the 31-acre site.

A spokesman for Mr John Broome, whose company Battersea Leisure owns the site, said negotiations had been carried out with the family over the past three years since he was forced to cease work on the site when projected development costs overshot by £60m to £230m.

No financial details of the deal were being released by representatives of the Hwangs last night but they said the family was planning to complete the deal next week.

The art deco power station, listed for its historical interest, has been the focus of a long-running debate about its future amid concerns by local residents that it was in danger of falling into an irreparable state of decay.

The announcement appears to have surprised both Wandsworth Council and English Heritage, the government funded conservation body, which has the power to veto any proposed planning alterations to the listed building.

Both bodies said they were informed only yesterday by Mr Broome of his latest plans for the power station and would be seeking early meetings with the Hwangs.

The Hwang family are controlling shareholders in the Hong Kong Parkview Group which developed and built the Hong Kong Parkview Complex in Tai Tam, one of the colony's prime residential developments, currently valued at more than £1bn.

The family company was started more than 30 years ago by Mr Hwang Chou-shinan, the Taiwan-born father of the two brothers, but the group has focused its activities in Hong Kong since 1980. Its interests cover property, hospitality and leisure, transport and energy.

A family spokeswoman said their plans for the site were at an early stage, but added: "They believe the original plan has a great deal of merit but has to be revised in the light of the economic climate."

She stressed the deal is being negotiated with the family and not Hong Kong Park View but could not give details of how the sale was being structured.

It is understood that the main negotiations have been carried out with the consortium of banks led by Bank of America which originally backed Mr Broome's project to develop the power station into a leisure complex.

Motor trade hit by import surge

By Kevin Done, Motor Industry Correspondent

THE trade deficit in the UK motor industry almost tripled last year to £2.8bn from £1bn in 1991 under the impact of a big jump in the value of imports.

Automotive products accounted for a fifth of the total UK visible trade deficit of £13.8bn and for more than a third of the £7.6bn deficit last year on manufacturing exports.

The Society of Motor Manufacturers and Traders (SMMT), which released the figures yesterday, warned it was "likely to be some time" before the full effects of sterling's devaluation would be felt in the industry's trade balance.

Devaluation had enhanced the competitiveness of UK products, it claimed, but exporters had been unable to take full advantage of the improvement "because of the contraction in many of the main UK export markets."

The value of motor industry exports rose by 3 per cent last year to almost £11.1bn, but this improvement was overshadowed by an 18 per cent jump in the value of imports to almost £13.9bn.

In the final quarter of the year the motor industry trade balance fell into a deficit of £226m compared with the short-lived surplus of £121m achieved in the corresponding period a year earlier, the first quarterly trade surplus since the early 1980s.

The SMMT said the recent trend in exports of automotive products had been "more encouraging" with an 11 per cent increase in the value of export earnings in the final quarter to £3.2bn.

This improvement was also offset by an acceleration in the value of imported automotive products in the final quarter, however, which jumped by 24 per cent to reach £3.4bn.

There was a sharp improvement in UK car exports in the final quarter of 1992 with a 34 per cent rise in value to £1.4bn and a 22 per cent year-on-year increase in volume.

For the whole of 1992 the value of car exports rose by 5 per cent to £4.06bn, but the volume of exports declined by 3 per cent.

The improvement in the final quarter reflected in particular higher exports by Vauxhall, the UK subsidiary of General Motors of the US, and by Nissan, the Japanese car maker, which began production last autumn of a second model range at its Sunderland assembly plant in north east England.

British Coal criticised over pit closure choice

By Michael Smith and Robert Taylor

BRITISH COAL failed to follow its own guidelines in selecting two of the 10 pits it earmarked for immediate closure last October, according to a confidential report commissioned by the government.

The findings in the draft report, by John T. Boyd, the US mining consultancy, provide the latest in a series of blows to British Coal on its programme to close up to 31 pits.

It is already embroiled in a legal battle with unions over the future of the 10. Last December, High Court judges ruled illegal the decision by British Coal and the government to close the 10, which have already ceased production, and the other 21 whose future is under threat.

The government wants to use the Boyd report as the basis for an independent assessment of the prospects for the 10 pits ordered by the High Court. Unions have rejected the idea that Boyd is independent but will point to the report for what they see as further evidence of wrong decisions by management.

British Coal will, however, take comfort from the report's conclusion, disputed by unions, that the fabric of all 10 pits is being maintained in accordance with assurances given to the High Court.

This means that in theory, any of the 10 pits could be reopened.

Grimethorpe was one of the two pits which the report says failed to meet the two closure criteria: that the mines were unviable in the foreseeable future and were lossmaking. According to the report, Grimethorpe was both profitable historically and could remain so "providing a market is available to utilise its output".

British Coal, though making no comment on the report yesterday, is likely to strongly dispute the finding. It will argue that Grimethorpe is not viable because it shares facilities with Houghton Main, another of the 10, which is also closing.

In addition BC will argue that, even if Grimethorpe is potentially viable, the market constraints will work against it having a future. The government is struggling to find a market even for the the 21 pits which BC considers more viable. Boyd says: "If there is not a market available to utilise the output being produced, a colliery is not viable regardless of cost of production."

Boyd says a second pit, Taff Merthyr, was viable in the immediate future, although it was lossmaking when production stopped in October. It does not recommend that the pit reopens because reserves are extremely limited, but it does suggest miners be compensated for loss of earnings resulting from premature closure.

Boyd estimates that the 10 pits together have total reserves of 86.6m tonnes of coal, with Markham Main the most coal-rich of all. Unions have 14 days to respond to Boyd's draft. A final report is scheduled for mid-March

Ford of Europe unveils R&D centre expansion

By John Griffiths

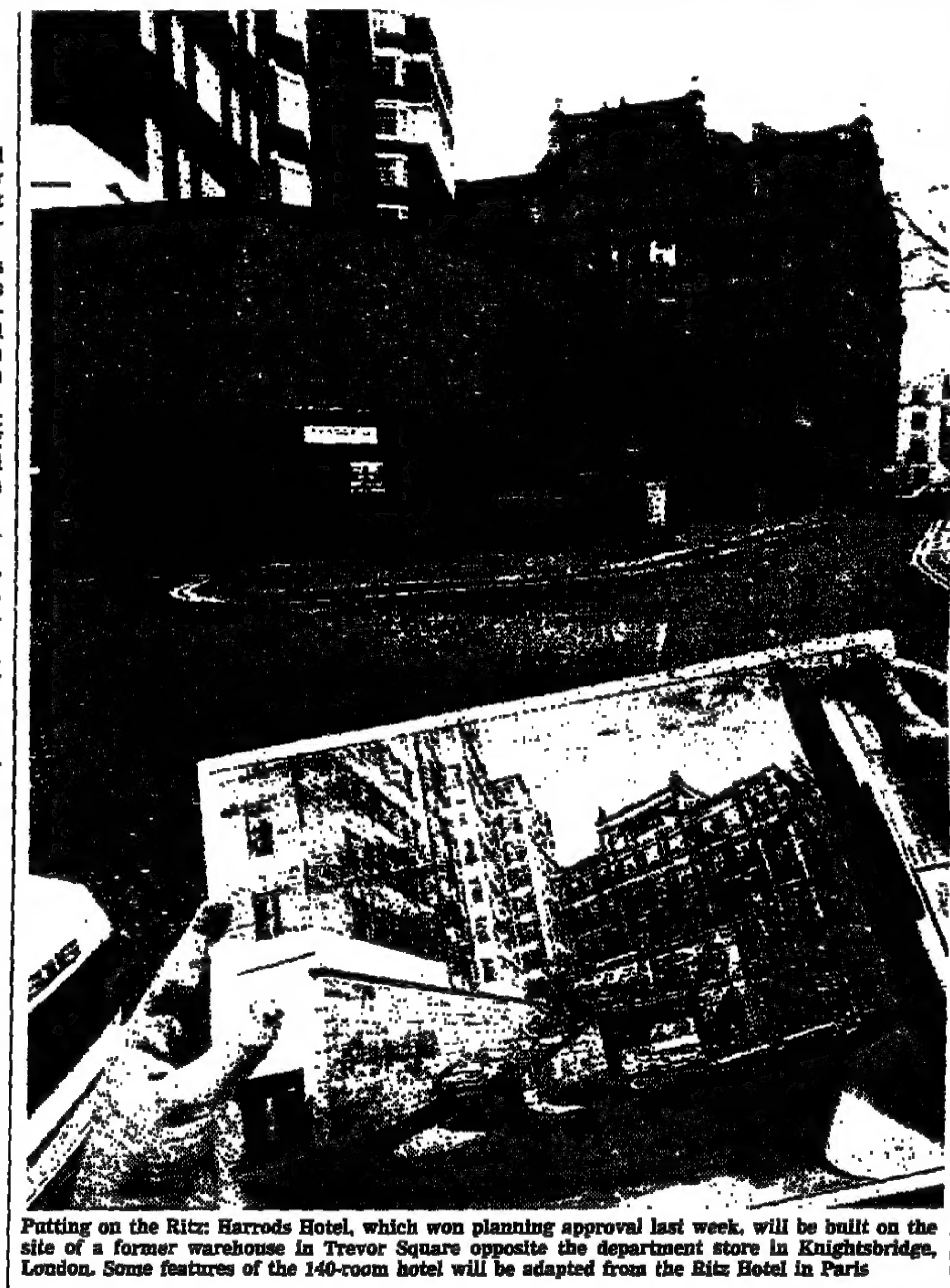
FORD of Europe is launching a five-year programme to expand its research and development centre at Dunton, Essex, at a cost of £200m.

The programme, disclosed by Mr John Oldfield, Ford of Europe's vice-president for product programmes, vehicle engineering and design, is expected to create up to 500 more jobs at Dunton, which is the largest motor industry R&D centre in the UK.

The jobs, however, are expected to be filled by existing Ford employees moving from nearby satellite research operations at Aveley, Basildon and Dagenham.

Last year Ford announced its intention to restructure all its European R&D operations, consolidating them at Dunton and at a similarly-sized operation at Merkenich,near Cologne in Germany.

Under this consolidation, it was intended that a total of 1,200 engineering staff would eventually move to Dunton from the three satellite plants.



Putting on the Ritz: Harrods Hotel, which won planning approval last week, will be built on the site of a former warehouse in Trevor Square opposite the department store in Knightsbridge, London. Some features of the 140-room hotel will be adapted from the Ritz Hotel in Paris

Labour to urge fresh debate on Maastricht

By Alison Smith

THE LABOUR opposition party will tomorrow press its demand for another debate on Maastricht and the social chapter to enable MPs to vote on a new amendment.

The opposition believes that it has found a way of forcing the UK government to choose between accepting the social chapter and being unable to ratify the Maastricht treaty.

Both Labour and Conservative Euro-rebels have been encouraged in the belief that a new social chapter amendment might affect the UK government's ability to ratify, by the speech from Sir Nicholas Lyell, attorney-general, on Monday.

He appeared to concede that an amendment to exclude the social protocol – which contains both the social chapter and the UK's "opt-out" from it – from the part of the bill extending the powers of the European parliament, would wreck the treaty.

This follows the government's conversion last week to the view that passing the earlier Labour amendment, simply excluding the social protocol from UK law, would not affect ratification.

When the Commons resumes discussion of the Maastricht bill tomorrow, Mr George Robertson, opposition European affairs spokesman, will ask Mr Michael Morris, deputy Speaker who chairs the proceedings, for an opportunity to re-open the debate on social issues. An amendment along the lines referred to by Sir Nicholas was tabled on Monday.

If Mr Morris does not allow MPs to talk about and vote on the new and apparently effective Labour amendment, then the issue could be revived only if MPs voted through any change to the bill, which would trigger an extra stage of discussion.

Either way, the critical vote would not come for some weeks, giving time for the government to exert pressure both on potential Tory rebels and on some opposition parties.

Ministers are still confident they will succeed in passing the bill and emphasise there is a majority in favour of Maastricht at Westminster, despite this week's setback. Though the government managed to avoid an outright defeat on Monday night, by preventing a vote, more are coming to agree with Euro-sceptics that the bill is "accident prone".

Britain in brief

Cost of fraud to companies put at £468m

THE value of fraud perpetrated against British companies has nearly trebled to more than £468m in the five years to 1992, figures released yesterday by accountants KPMG Peat Marwick show.

KPMG's "fraud barometer" says total reported fraud has risen to £1.6bn during 1987-92, covering 349 separate incidents. The figures are based on newspaper reports of fraud charges above £100,000 brought to UK courts. Cases with a not-guilty verdict are removed from the records.

Check call on insurance

The Insurance Ombudsman has called for new checks on insurance salesmen after reporting a 41 per cent increase in the number of life insurance cases he handled last year.

His comments come amid heated debate about standards of consumer protection in the life insurance industry. The Office of Fair Trading has repeatedly called for disclosure of commission payments on life assurance policies.

Inquiry urged on copier trade

Pressure has mounted on the Office of Fair Trading to launch an investigation into the activities of "cost-per-copy" photocopier companies following the resignation of two executives and the dismissal of a sales support team from Southern Business Group.

SBG, the publicly-quoted photocopier supplier which has previously been criticised for some of its contractual and accounting practices, yesterday confirmed that an internal investigation, started last August, had revealed "a small number of improprieties" in its dealings with some customers.

Mr David McErlain, SBG managing director, said that the company - which recorded 1992 pre-tax profits of £15.3m on a £54m turnover - had "spent three years trying to build integrity in the marketplace". It now had "one big dent in it" because of justifiable criticism of some of its activities.

NatWest backs free banking

Lord Alexander, the chairman of National Westminster Bank, has insisted his bank had no immediate plan to end "free" banking for personal customers who remain in credit.

Lord Alexander, however, said he supported the principle that banks should end internal subsidies to forms of business which make a loss. One bank has estimated that up to 80 per cent of its personal accounts operate at a loss.

"In principle, the banking industry has to aim for a situation where it gives good services and receives a fair price with a minimum of cross-subsidies," he said at the presentation of the bank's full-year results for 1992.

Results, Page 15

Dockyard to cut 550 jobs

Workers at the Rosyth naval dockyard in Fife who have been anxiously awaiting a government decision on the location of future submarine work have been surprised by the announcement of 550 redundancies among the 4,100-strong labour force.

The news came just two weeks after the Ministry of Defence made clear it intended to keep both Rosyth and the rival facility at Devonport in Plymouth open, irrespective of which yard won the battle to become the UK's sole refitter of submarines.

Legal action on Channel tunnel

The British half of the Anglo-French consortium building the channel tunnel is being prosecuted by the Health and Safety Executive over the death of an employee in October 1992.

The five companies which form the consortium, Translink Joint Venture, are: Balfour Beatty Construction; Costain Civil Engineering; Tarmac Construction; Taylor Woodrow Construction; and Wimpey Major Projects.

The prosecution follows an investigation by HSE into the death of Mr David Griffiths, aged 26, of Sandwich, Kent, who was killed in the marine service tunnel. Mr Griffiths was the eighth worker to be killed at the British end of the project.

Small rise for bank staff

Basic salaries for international bank employees in the City rose by just 0.9 per cent last year. However, when bonuses were taken into account, total salaries increased by 2.9 per cent, according to pay consultants Day Associates.

The survey of over 120 international banks and investment banks found a drop in basic salaries in the capital markets sector of 2.7 per cent. Bonus payments more than compensated for this drop and produced an overall increase in earnings of 2.9 per cent.

Male au pairs win rights

Male au pairs will be allowed to work in the UK from the end of the year under proposed amendments to the immigration rules announced by Mr Kenneth Clarke, the home secretary. At present au pairs have to be unmarried females aged 17-27 without dependants.

Mr Clarke said the days were long gone when only women were seen to be capable of looking after children. "Our proposed changes will end what is increasingly perceived as a sexually discriminatory scheme," he said.

Hanging on the line: The organisers of Dial for Democracy, the telephone referendum on the Maastricht treaty, are launching a campaign to encourage greater use of the service launched three weeks ago by Baroness Thatcher, former prime minister, and Labour MP Bryan Gould (above). More than 50,000 calls have been made so far and the organisers are hoping for 100,000

City's role as litigation hub 'at risk'

By Robert Rice, Legal Correspondent

A SHORTAGE of Commercial Court judges is threatening London's future as a centre for resolving international business disputes, according to the heads of the legal profession.

In a letter to Lord Mackay, the Lord Chancellor, Mr Mark Sheldon, president of the Law Society representing solicitors, and Mr John Rowe QC, chairman of the Bar representing barristers, warn that the £450m contribution made by English commercial law to invisible overseas earnings each year is now at stake.

Delays in hearing international business disputes due to a shortage of judges and uncertainty about their future availability could drive the court's international clients to litigate in other commercial law centres such Frankfurt, they say.

The normal complement of Commercial Court judges is six. At the moment there are only five. But because of a general shortage of High Court judges, the five commercial judges are frequently required to sit on cases elsewhere. Mr Justice Saville, the head of the Commercial Court wants a full-time complement of six judges.

His call for more judges has been echoed by Lord Taylor, the Lord Chief Justice.

The Lord Chancellor is currently considering a report on the issue.

Caution urged over further permanent members

Hurd defends Britain's seat on security council

By Ivor Owen, Parliamentary Correspondent

BRITAIN'S role as a permanent member of the UN security council was strongly defended by Mr Douglas Hurd, the foreign secretary, at the House of Commons yesterday.

While Britain was prepared to play a constructive part in any discussion about the reform of the UN charter – taking account of changes in the international scene since it was drawn up in 1945 – he stressed the need for caution.

Mr Hurd, opening a debate on international peacekeeping, said: "I do not believe, for example, that a simple proposition to add Germany and Japan to the list of permanent members could survive without others from other continents putting forward their claims."

He argued that the provisions of the Maastricht treaty took account of the fact that Britain and France were the only nations among the 12 in the European Community to hold permanent membership of the security council.

Mr Hurd stressed: "The treaty recognises our responsibilities under the charter, and we accept the need to take the views of our partners into account as we fulfil those British and French responsibilities."

Permanent membership of the security council also carried it with it obligations, and he doubted whether it could be easily extended to countries which, for their own constitutional reasons, would be unable to contribute troops to the full range of UN peacekeeping activities.

Mr Hurd envisaged that discussion about possible reforms would continue for a long time.

He warned that it should not be allowed to frustrate or undermine the efforts of the security council.

National governments and international institutions needed to take account of three main lessons:

It was better to move early to avert a disaster than to clear up its consequences.

There had to be an equitable sharing of burdens in any substantial international enterprise.

There had to be a disciplined analysis of risks and benefits so that the international community did not lurch into enterprises whose scope and duration had not been thought through.

Other world trouble spots highlighted by Mr Hurd included:

● **Arab-Israel dispute** The peace process sponsored by the US and Russia was "really the only game in town". While no-one could realistically expect an early and complete solution, all sides now seemed to genuinely contemplate "the possibility of compromise,of real peace".

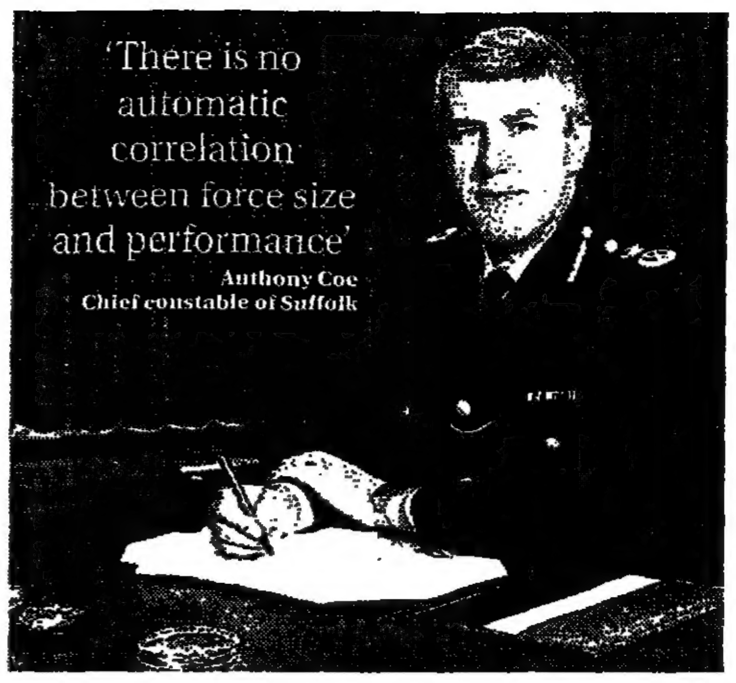
● **Iraq** Severe punishment inflicted on the two imprisoned Britons in no way fitted their supposed offence. "Iraq would gain some credit for releasing them, and no gain from continuing to keep them in unjust captivity."

● **Cyprus** Britain was helping to prepare ground for next round of talks which he hoped would be attended by newly-elected President Clerides and Mr Denktash under the chairmanship of UN secretary general.

● **Somalia** He praised the unified task force, particularly the US, on the success of Operation Restore Hope. Britain remained the second largest aid donor, and the RAF had helped with the airlift.

Alan Pike and Wendy Moore challenge the belief that private-sector managerial practices will reform the police and the National Health Service

Forcing a change of direction



'There is no automatic correlation between force size and performance'
Anthony Coe
Chief constable of Suffolk

The pace of structural and managerial change in the UK police force is about to quicken. But the trepidation felt by many officers is not confined to the likely introduction of performance-related pay and the short, fixed-term contracts which will come in if forces are amalgamated.

Some chief constables doubt whether ideas being considered by Kenneth Clarke, the home secretary, for bringing private-sector style personnel and financial management practices into the police force have been proven.

When the inquiry into police responsibilities and rewards under Sir Patrick Sheehy, chairman of BAT Industries, reports in May it will almost certainly endorse and encourage moves, under way in some forces, to thin out senior levels of command and develop a flatter management structure. The introduction of performance-related pay is also being considered.

Clarke is separately conducting an examination of structure that could reduce the present 43 forces in England and Wales to 20-25. Lay members will join the Inspectorate of Constabulary for the first time in its 137-year history, to bring financial and personnel management experience to the task of scrutinising police performance.

He is likely to follow this by putting appointees with business experience on police authorities.

Although chief constables' day-to-day operational powers exceed those of many public-sector managers, the service remains a local government responsibility. Police authorities draw two-thirds of their members from local councillors and one-third from magistrates.

Appointing people with business experience would mirror the structure of trust hospital boards established by Clarke when he was health secretary. Some chief constables – and some National Health Service managers – wonder if all private-sector appointees have quite as much to teach public-sector managers as ministers may assume.

"Police forces employ thousands of people, have multi-million pound budgets and provide a complex range of services 24-hours a day," says Peter Ryan, chief constable of Norfolk. "I frequently show private sector business people around my headquarters and many of them comment that they don't have anything like our management expertise in their own companies."

Norfolk and its neighbour Suffolk are typical of forces Clarke may have in mind as potential candidates for amalgamation – possibly with Cambridgeshire as well – into an East Anglian force.

Serious crime and other specialised police activities are already co-ordinated across forces. Consortium tendering arrangements give smaller forces benefits of scale when purchasing equipment. And chief constables value their links with local authorities.

Is there, to set against all this, a convincing business case for creating combined forces such as West Midlands, Greater Manchester, West Mercia and Devon & Cornwall?

"The best that can be said for the case in favour of larger forces is that it has not been proved," says Anthony Coe, chief constable of Suffolk, who has studied the effects of size on police forces. "There may be scope for some amalgamations, just as some existing forces may be too big. I do not believe there is a single ideal size. It depends on the structure, demography and sociology of particular communities."

Coe acknowledges that amalgamations would generate savings at chief officer level, although he suspects these would be marginal compared with a tendency towards greater bureaucracy in bigger organisations. "But there is no automatic correlation between force size and performance."

Measuring performance between police forces is difficult because communities differ as do demands on their local police. But using 1991-92 data from the Chartered Institute of Public Finance and Accountancy, Coe concludes the average cost per officer in the six largest non-metropolitan forces was 2.4 per cent – or nearly £750 per head – higher than in the six smallest. If crime figures are used as an indicator of police performance, Coe's analysis shows crime has risen faster in areas policed by big forces, while detection rates in those areas have fallen.

"There are many possible explanations," he cautions. "All I am saying is that the case in favour of bigger forces is premumably based on the belief that they are more cost-effective and efficient. Those putting forward the argument should be aware that there is no clear evidence to support it."

Coe believes financial demands on smaller forces such as his own encourage efficiency. "Because we are small we have to be cost-conscious and get to grips with the minute detail of budgets."

Suffolk, in common with about half Britain's provincial forces, has flattened its management structure, reducing the number of officers in senior posts and devolving responsibility to local level. This saved £750,000 a year – the equivalent of an extra 45 officers on the beat.

Such processes are likely to go further after the Sheehy report, which could lead to the abolition of some ranks – chief superintendent and chief inspector are favourites to go, but others, like assistant chief constable, could be at risk.

One of the distinctive features of police work is the high degree of day-to-day decision-making responsibility it places on the individual constable. This reality is likely to be increasingly recognised in the way the service is managed.

AP

Growing NHS casualty list

An unwelcome aspect of the drive for greater efficiency in the NHS has been the tendency to imitate the private sector's more ruthless employers.

The increase in job insecurity in the National Health Service can be gauged by the response to a helpline run by the Institute of Health Services Management. Calls from managers asking for legal advice on mainly employment issues have now risen to 50 a month.

General managers with 20 or 30 years' experience are being "written off", says Pam Charlwood, IHSM director, with no attempt at retraining or personal development and despite widespread shortages of managerial skills.

She cites examples of managers leading their hospitals to self-governing trust status – in the teeth of fierce local opposition – only to be denied the post of chief executive without so much as an interview.

"I think we flatter ourselves and abuse private-sector management by assuming it does things more crudely than we do," says Charlwood. "Sometimes it is almost the reverse."

At the same time the fashion for merging health authorities means managers are effectively competing for their own jobs.

The prospect of further mergers and another round of trusts means the casualties will continue to mount, she believes.

Amid the battlefield, though, one region's approach is being heralded as a model of good practice.

North West Thames regional health authority has reorganised into seven health commissions, causing 20 managers to compete for seven new posts. But the bloodshed has been minimised by a programme designed to balance the future of individuals against the needs of the organisation. Personnel manager Janet McKeown examined practice in both public and private sectors before opting to develop her own system.

This gave existing general managers first call on the new posts. Only if a suitable candidate was not selected would outsiders be allowed to apply.

Before competition began all were guaranteed every help in continuing their careers within the region or elsewhere in the NHS. Each underwent an independent assessment with a top company of occupational psychologist followed by career counselling.

If the region could ultimately offer no job it guaranteed "fair" severance terms. "It has been enormously powerful in persuading managers that we would deal with them decently and with dignity," McKeown says.

Sound business reasons were one motive. "We need to attract high-calibre managers in the future so it is important we have a good reputation as an employer."

WM

An unwelcome visitor calls

David Goodhart on the imminent arrival of works councils

After more than 20 years of wrangling between the European Commission, employers and unions, the European works councils will soon become a reality – and there will be no escape for about 100 of Britain's larger multinational companies.

Within a couple of years companies such as ICI, Shell, British Airways and Unilever, will have to meet representatives of employees at European level at least twice a year to inform them of key investment, rationalisation and merger decisions.

It will not cost them much – perhaps £50,000 a year to cover travel and interpreters - but the majority of employers strongly resist the proposal arguing that the councils will merely interfere with companies' existing information systems.

They are also frightened by the enthusiasm for councils shown by unions, which see them as the first step towards Europe-wide collective bargaining.

About 18 European multinationals, mainly French and German, have voluntarily established Europe-wide councils and according to the research group Industrial Relations Services another 31 are planning to follow. Those companies are convinced that councils can help improve worker integration and productivity but they are in a small minority.

The imminent arrival of mandatory works councils in British companies will come as a surprise to many. Is not the EC's social dimension in retreat, as a result of recession and disagreements between member states? And has not Britain achieved its famous "opt-out" from key aspects of future social legislation?

Both points are true, but, as the recent dispute over Hoover's transfer of jobs from France to Scotland shows, the rhetoric of the social dimension still has political resonance. And it is Hoover that has placed the European works council back in the limelight.

Assuming that Britain continues to block the introduction of works councils through existing mechanisms for social legislation and assuming the Maastricht treaty is ratified, the issue will move to the Social Chapter mechanism agreed at Maastricht before the end of this year.

The Social Chapter, from which Britain has excluded itself, allows a far wider range of issues, including information-based works councils, to be covered by majority vote (rather than unanimity), and most observers believe that legislation on works councils will be top priority.

The 11 Social Chapter countries will probably then send the issue to the "social partners" – European employers and unions – for nine months of discussion to see if they can reach agreement on the controversial details.

Employers say that the current directive, which has just been amended by Denmark, which holds the EC presidency, has an arbitrary trigger mechanism requiring a council to be set up in companies with more than 1,000 workers which operate in at least two EC countries (with a minimum of 100 workers in one of the countries).

Senior managers who make the important Europe-wide decisions must meet employee representatives at least once a year. But criterion for subsequent meetings is vague – any management proposal with "serious consequences" for the interests of employees – which IBM Europe says could have required 3,000 meetings last year.

About 900 undertakings operating in Europe would have been hit by the original works council plan, of which more than 300 are British. About one-third of those UK companies will still be hit, despite the opt-out, because they qualify even excluding their British operations.

British companies with a council for their German, French and Italian workers are unlikely to exclude their British workforces, even though they could.

But Alan Wild, personnel director at GrandMet, says that if companies include their British workers why not the Scandinavians too – and at Grand Met's Burger King the relevant management decision-makers also cover Africa and the Middle East.

BUSINESS AND THE ENVIRONMENT

"EVERY YEAR there has been a popper," says Richard Keeling, underwriter with Lloyd's syndicate 362, reviewing the impact of recent hurricanes, gales and typhoons on the London insurance market.

Recent storms, each more damaging than the last, culminated in last year's hurricane Andrew, which devastated parts of Louisiana and Florida and caused losses estimated at \$16bn (£11bn), the United States's biggest-ever insured loss.

That has triggered tough bargaining in the London insurance market and one of the hardest "renewal" seasons, as reinsurers seek to impose big rate increases.

Most significantly, in a move that could lead to higher insurance rates for many years, insurers are also beginning to ask whether recent storms are a sign of global warming or other long-term shifts in weather patterns. The question has led to an unlikely convergence with environmental pressure groups such as Greenpeace, which last month published a long report welcoming insurers' alertness to the risk.

In the recent round of negotiations, brokers buying cover for US clients – who have avoided heavy increases in recent years – have found the going toughest.

However, across the board, direct insurers are now paying more for their reinsurance. Keeling says that since October 1987, reinsurance rates have increased by 650 per cent for European insurers, 450 per cent for US buyers and by 1,000 per cent for Japanese companies.

The increases partly reflect reinsurers' efforts to restore profitability after heavy losses from weather and from other disasters such as the 1988 Piper Alpha oil rig explosion and the Exxon Valdez oil spill the following year.

Both Swiss Re and Munich Re, the world's two biggest reinsurers, have seen profits dented and have been forced to draw deep into their reserves to meet claims, especially from the European storms of 1990. Many smaller reinsurers have withdrawn from the market. More than a third of Lloyd's Names and nearly half the syndicates have left the market since 1989. As competition for business has dwindled, bigger players have found it easier to force through rate increases.

Underwriters are also now beginning to take a deeper look at the risk of storm damage. They recognise that denser population in potentially exposed regions, such as the south-eastern coast of the US, is partly responsible for the rise in losses. "Windstorm" cover has also become a more common element of householders' policies over the last two decades in most countries.

And increasingly many are questioning whether the recent increases in land and sea temperatures are leading to greater atmospheric instability and more frequent and intense winds. Scientists have warned for several years that gases such as carbon dioxide, emitted from burning fossil fuels, could cause global warming.

The United Nation's Intergovernmental Panel on Climate Change, set up to investigate the phenomenon, has suggested the average increase could be somewhere between 1.5°C and 3.5°C over the next 100 years.

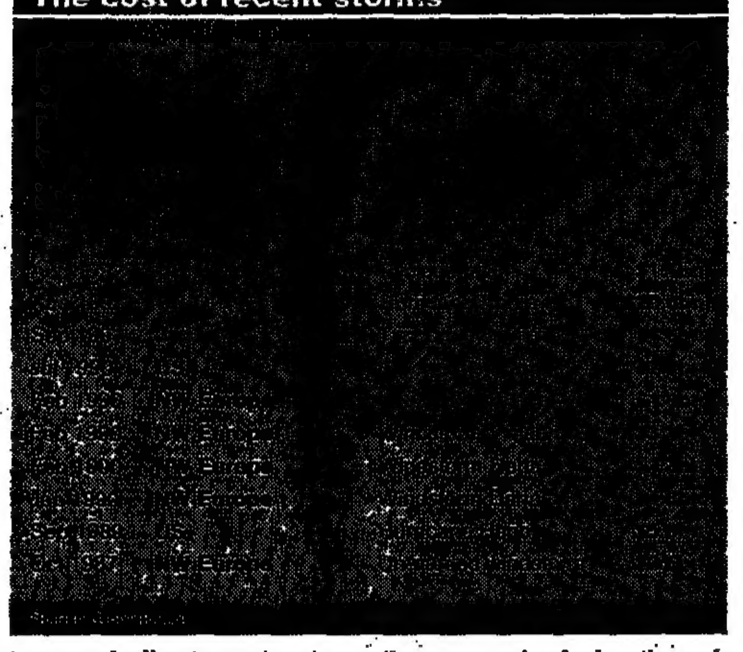
However, scientists have emphasised there is still uncertainty about the processes involved – the models find it hard to take account of clouds, which could slow down warming. They also say it is impossible to conclude from recent storms and warm summers that climate change is already happening.

Despite scientific uncertainty, insurers feel they need to protect themselves against the possibility. Walter Kielholz, general manager of Swiss Re, one of the first insurance companies to question whether global warming could be responsible for worsening weather, agrees that "the statistical data is too short to conclusively prove that there is a trend". But he adds: "It might just be a hiccup but we can't afford to wait for the long-term before taking action."

Typhoons, hurricanes and the threat of global warming are pushing up insurance rates, write Richard Lapper and Bronwen Maddox

Weather wise

The cost of recent storms



Insurers are beginning to ask whether recent storms are a sign of global warming or other long-term shifts in weather

Research commissioned by Keeling and several other Lloyd's underwriters by the University of East Anglia's climatology department also concludes: "The possibility that the trend [of more frequent gales in north-western Europe] is related to global warming cannot be rejected." Insurers should assume that "gale frequencies will remain at the level of the 1980s" and could rise further, the report says.

In Greenpeace's recent study, the pressure group called for insurers to join the lobby for limits on the emission of "greenhouse gases". Keeling acknowledges: "We have to do something constructive but the insurance industry will never be a lobby. We are too diffused."

Instead, as well as increasing rates insurers have begun to toughen the terms of storm insurance. Kielholz says that since 1990 Swiss Re has begun to isolate the risk of "windstorm" from other exposures it underwrites.

The group now likes to cover windstorm through an excess of loss reinsurance contract (in which the reinsurer covers a tranche of risk up to a pre-set limit) rather than by covering it alongside other risks as part of a proportional reinsurance deal (in which the reinsurer accepts an agreed percentage of exposure).

"Reinsurers have become more and more reluctant to include windstorm in proportional property treaties," says Kielholz.

Reinsurers are also urging direct insurers to make policyholders pay the first portion of any loss themselves, as an incentive to protect their property against storms. Householders would then be more likely to carry out essential maintenance and commercial customers to follow building codes more strictly, they argue. During Hurricane Andrew many new buildings, especially those with steel frames and metal casings, proved to be particularly vulnerable to wind damage, according to Swiss Re.

Higher rates and tougher terms are the insurance industry's perhaps unsurprising response to recent storms and the potential threat of global warming.

The environmental movement has shown itself reluctant to acknowledge scientific doubts about climate change, while climatologists – who might stress that uncertainty – have few reasons to get involved in debates on insurance charges. Customers may have to hope the new higher rates help preserve some of the financially weaker groups, and so preserve competition in the industry.

Travelling down a cleaner track

Plans for a high-speed rail service between Boston and New York are under way, writes Victoria Griffith

Compared with the sleek bullet trains of Japan and the high-speed railways of Europe, the plodding US system sometimes seems hopelessly outdated. Environmentalists have complained that the lack of sophisticated public transportation in the country has increased the number of cars on the road and contributed to the smog which plagues many US cities.

New plans for a high-speed rail system between Boston and New York could, though, soon make a difference for the north-east region of the country. Amtrak, the privately-owned rail group, has announced plans to run a high-speed train along this route, pledging an investment of some \$300m (£218m) for new equipment.

The concept of high-speed train travel has become fashionable in the US. President Bill Clinton mentioned high-speed rail during his campaign as a way of improving the economy and alleviating highway pollution. Funding for high-speed rail travel is part of the administration's new economic stimulus plan.

Installation of the system would require \$200m in federally-funded track and signal improvements, but Amtrak has already garnered plenty of political support. The Coalition of North-east Governors (Coneg), which represents the governors of all the New England states, is behind the proposal, and several members of Congress are working on legislation to allocate funding to the system.

A study prepared by engineering consultants Parsons Brinckerhoff Quade & Douglas for Coneg said the new system would cut pollution in the north-east by reducing air and highway travel between Boston and New York. According to the study, high-speed rail in the region would eliminate an annual 2,522 tonnes of carbon monoxide, 329 tonnes of hydrocarbons and 265 tonnes of nitrogen oxides.

These benefits would be partially offset by a 365-tonne surge in sulphur dioxide and a 48-tonne increase in particulates annually through emissions generated by the new, electrified rail system.

Still, PBQD says the environmental impact would be overwhelmingly positive, with an estimated 2,683-tonne reduction in pollutants every year. The north-east rail corridor has long been a problem for Amtrak. The tracks are among the oldest in the country, and were laid out to service the sea ports of New England.

The Amtrak service winds along the coast from Boston to New York, providing travellers with some breathtaking views, but making for an unusually long journey – four and a half to five hours. A car can cover the distance in four hours, and an aircraft in just one.

Amtrak claims that a high-speed train system would make the same trip in just three hours, stealing nearly 3m passengers a year from airline and highway traffic between the two cities. "About 80 per cent of that will come from air, 20 per cent from cars," says David Carol, director of the high-speed rail project for Amtrak.

Until now, the rail tracks in the north-east have been unsuitable for high-speed service. The rail line makes the equivalent of 12 full circles between Boston and New York, meaning that bullet trains, which travel along a straight line at very high speeds, are unusable.

The straightening of the lines would be expensive, particularly since the federal government allocates less money than countries such as Germany and France to the upkeep of the railroads.

A new system inaugurated in Sweden in 1990, though, has made high-speed service a possibility for New England. The X2000 model, built by ABB Traction of Sweden, part of Asea Brown Boveri, the Swiss-Swedish group, uses a special tilting system which allows it to take curves at high speeds. An X2000 can round a curve at 125 miles per hour, compared with 80 miles per hour for a regular train.

The new high-speed system requires the electrification of the entire north-east route, which is now suitable only for diesel trains. The diesel cars have caused environmental havoc along the New England tracks, where Amtrak is often out of compliance with provisions of the federal Clean Air Act.

According to the Environmental Protection Agency in Washington DC, the electric system would be kinder to air quality. Advocates hope the system will also eliminate the need for highway and airport expansion around Boston and other urban centres in the north-east.

But the high-speed rail system would not be good news for everyone. The airlines, for instance, stand to lose a great deal of business on the popular New York to Boston route. And critics say Amtrak's estimates of 3m extra passengers a year may be exaggerated, considering Americans' penchant for travel by car.

Still, the project has garnered much support and could be in operation within a few years. Amtrak says if the north-east route is as successful as it hopes, the group will install high-speed services along other corridors, including between San Francisco and Los Angeles, Los Angeles and San Diego and Chicago and Detroit.

"We are convinced that the regional benefits of this project would be a big boost to the north-eastern states, both on the economic side and the environmental side," says Thomas Bolle, head of the department of transportation at Coneg. "That's why we've given full support to the idea of high-speed rail in New England."

Opera

Un ballo in maschera

Verdi's *Ballo in maschera* and Wagner's *Tristan und Isolde* are in the current repertory of Welsh National Opera. Both operas, composed at the same time, have a soprano-tenor pair of illicit lovers whose second-act love duet – long, structurally varied, shaped to reach an ecstatic climax – forms the work's peak. Some years ago an Italian critic was moved to claim *Ballo* as the "Italian *Tristan*": this Welsh National Verdi revival, and its close proximity to the company's brand-new Wagner production, comes helpfully to hand in fixing both the aptness and the useful limits of the comparison.

In common with the new *Tristan*, the latest WNO *Ballo* casting has thrown up a particularly strong principal pair – on Monday in the New Theatre, Cardiff, their healthy, freely produced voices and forthright delivery fanned the love music to a bright glow. The Australian Lisa Gasteen, who came to prominence as the 1991 "Cardiff Singer of the World", is a young Verdian of wonderfully rich potential: her *spinto* soprano has amplitude, a special soft velour in lower ranges and a finespun radiance higher up, and her line is long-breathed. Richard Margison, the Canadian Gustavus, sings with appealing, well-nourished tenor tone lacking only suavity and finesse in the application.

Neither singer achieves a fully idiomatic purchase on the Italian words – this fault, mirrored throughout the Anglo-Saxon cast, tended to blur the exactly graded phases of emotional outpouring in the love music. But the *slancio* of the singing, supported and encouraged by Carlo Rizzi's sensitive conducting (nervously intense yet never overweight in orchestral mass, alert to dramatic colour and tone, only occasionally rushed), certainly answers many of the opera's most pressing demands.

This, in turn, makes the revival well worth tracking down. The 1982 production, by the late Göran Jarvefelt, was always one of the company's most distinguished Verdi stagings, a "Swedish" *Ballo* that draws depth, resonance and a subtle, vivid theatricality from the setting. In its latest appearance, supervised by Malcolm Hunter, there seems to be some coarsening of detail. Not all the other main singers were on form on Monday – the press but not the public were informed of the throat infections that audibly burdened Donald Maxwell's Anckarström and Rebecca Evans's Oscar. Anne-Marie Owens's fortune-teller was impressively firm and forceful.

Max Loppert

Sponsored by 3M; two more Cardiff performances, then to Bristol, Liverpool, Southampton, Oxford, Swansea and Birmingham. (We omitted to mention on Monday that the Royal Opera's 'Turandot' is sponsored by UBS/Phillips & Drew)

Television/Christopher Dunkley

Escapism, both good and bad

Was it not perverse, they say, for the television critic to take a seven-week sabbatical starting on the very day that the new-look ITV was launched? On the face of it that seemed true. Yet abandoning Britain and ITV at the end of December and returning to the old green sofa in mid-February was rather like switching your gaze between two of those "spot the difference" cartoons: you know there are supposed to have been all sorts of changes, yet you cannot actually see any.

Mention this sotto voce to your colleagues and they say "Well, what about the breakfast stuff? There has been a lot written about that". They do not say that they have watched and there *are* differences, mind, merely that there has been a lot written about it, which is true. But then breakfast television on the commercial channels is for pre-school children (hence the toy advertisements). Why would sane adults watch such tosh when they could be reading a decent newspaper or listening to the radio? How many of your friends have enthused over the new look breakfast television? Quite.

Well then, say your better informed and more addicted informants, how about the local news? It is true that the presenters of the 10-minute regional news which follows *News At 10* look unfamiliar – but then they always did. In common with all the Londoners I know, I have only ever watched this peculiar adjunct by mistake. So much of the national news comes out of the metropolis anyway that it seems contrived to tack on another 10 minutes just because the Scots or the Devonians need the time to keep in touch with their local affairs. Anyway there are precious few interests common to all the millions of Londoners: we would need Kentish Town news or Battersea news to be of any real use.

Finally your patient informers begin to name individual series: *Head Over Heels*, *The Good Sex Guide*, *The Beat* and . . . er . . . *A Day In The Life*. It is true that these programmes (and perhaps there are more, though they do not spring readily to the minds of my acquaintances) have been made by the new companies, but had they been screened by the old ITV nobody would have batted an eyelid. Moreover scores of programmes, the overwhelming majority every night, remain completely unchanged. Tonight's ITV schedule features *This Is Your Life*, *Coronation Street*, *News At 10* and two old American movies – scarcely a revolution.

Still, tonight's one new programme may, perhaps, be a straw in the wind. It seems that *Life* is to offer "factual entertainment" comprising "a global compendium of human triumphs and tragedies" plus astrology, and, tonight, a tarantula in the studio. In other words, bitty tabloid journalism. True, this column has been charting the increase in such material for a couple of years, but it may well be that the opening of the new ITV will accelerate the process. On Wednesday afternoons Londoners can now watch *The Chrystal Rose Show* where, we are told, "audience and guests alike talk about their passions and confess their sins": an English version of *The Oprah Winfrey Show*, Chrystal Rose being another black woman.

The chances of a normal looking, normal sounding, white English male presenter getting a job on any of these new "infotainment" shows looks pretty slim. Loyd Grossman is going to present *The View* which promises to "tackle serious questions of broadcasting policy and politics combined with humour and a genuine enthusiasm for telly trivia" (guess where the emphasis will lie) and Grossman is white and male, but of course he has that Martian accent which puts him in the weirdo category along with people such as Pyke and Bellamy. *Life* is to be presented by a woman and a black man, and *The Good Sex Guide* is not so much presented as hurled at us by the blokish Margi Clarke. Yet another series which, from the advance publicity sounds like bitty, tabloid, "human interest" current affairs material, begins tomorrow evening: *3D*. It will be presented by Julia Somerville.

So although ITV may not look dramatically different, it does seem as though more and more of its programmes are being aimed at *Sun* readers, and more and more of its output, even in slots supposedly devoted to journalism, may turn out to be escapist trivia. As 1993 progresses we may be thanking our lucky stars increasingly often for the existence in Britain of BBC2 and Channel 4, networks which still see it as part of the function of television to tell a nation the truth about itself. Last Thursday *Newsnight* on BBC2 used a journey down the A1 to illustrate the erosion of Britain's manufacturing base, and the appalling miasma of despondency caused by unemployment. The minister in the studio who made the pained observation that a journey down some other obscure road could have revealed a new Japanese factory merely reinforced the point.

Then in the first of a new series of *Opinions* on Sunday Channel 4 gave a platform to former defence minister Alan Clark to argue for a radical reappraisal of Britain's difficulties and an equally radical programme to solve them. Even if you disagreed with him it was heartening to see such stuff on television. Better still in a way were the first two programmes in new series produced by old hands at the documentary game, Roger Graef and Paul Watson. Decades ago Graef made the seminal verité series *The Space Between Words* about communication within human institutions. His new three-part C4 series *Turning The Screws* is said to be about "life inside Wandsworth Prison" but the first episode with its union negotiations suggested that it is still the business of communication that really fascinates him.

Almost as long ago Watson made the notorious series about the Wilkins of Reading, *The Family*, and much later was responsible for a memorable episode in *40 Minutes* called "The Fishing Party" about four Hooray Henrys. Now he has been made editor of *40 Minutes* and his opening edition, directed by Ted Clisby, was again about fishermen, this time builders, mostly unemployed, who fished and gossiped about the state of the nation in a slow and gentle yet curiously telling programme.

Best of all, though, is Dennis Potter's new six-part dreama (a Freudian spelling error which I have no intention of correcting) on Channel 4, *Lipstick On Your Collar*. After the miming to 1930s popular songs in *Pennies From Heaven* and to '40s songs in *The Singing Detective* the wonderful shock element is missing when the bumf merchants at the 1950s War Office start to bump and grind to a '50s song in this production. Yet even Potter free-wheeling and re-using a previous formula is more entertaining than most television dramatists using something brand new.

Perhaps this time there is slightly too much dwelling upon the period detail – everything from Ascot water heaters to an authentically hefty suspender belt – and the narrative seems, uncharacteristically for Potter, rather stretched out. Yet he is quite incapable of making an uninteresting drama, or one without acid social comments, and sure enough he has much to remind us about this time concerning Britain's international role and standing at the time of Suez, the stultifying effects of the British class system, especially in the armed forces, and, as ever, the desperate size of the gap between the sexual ambitions of young men and their actual sexual experience. It makes for splendid television.

Thank heavens for BBC2 and Channel 4.

Splendid television: Louise Germaine and Douglas Houshall in Dennis Potter's 'Lipstick on Your Collar'

Ballet

ENB's new Swan Lake

English National Ballet has just presented us with a new *Swan Lake*. More exactly, the company has invited Raissa Struchkova, greatly loved ballerina of the Bolshoy Ballet for more than three decades, to mount a version of the production which she knew in her home theatre during the 1940s and '50s. And as frame for it, the designs that Carl Toms made for ENB's *Swan Lake* before-last have been restored. The result is an effective and acceptable presentation.

The company's track record with this ancient death-trap has not been happy. One staging in the mid 1960s brought financial ruin; others have played merry hell with the text; much of the designing has been unspeakable. The rescuing of the Carl Toms decorations reveals them as being better than memory recalled in the John Field production for which they were made in 1984. A Gothic palace, a mistily evocative lake, a grand ball-room, provide excellent locations for Mme Struchkova's production. Costuming tends rather to an unsaturated and creamy beige, but outlines are handsome, and when von Rothbart has been treated for his make-up – galloping sequinitis – all will be visually well.

In matter of staging, Mme Struchkova has clearly had to reduce and edit the text she knew as ballerina, but the choreographic vision is consistent and, mostly, coherent. The first three acts – and there is, mercifully, no attempt to jam acts together in order to shorten running time – are the text according to Alexander Gorsky, who made no less than five *Swan Lake* recensions in Moscow in the first decades of this century when he directed the Bolshoy Ballet. The choreography is fluent, interesting in its patternings. The final lake-side act is that provided by Asaf Messerer for the Bolshoy in 1937.

None of this choreography can efface the merits of the Petipa/Ivanov text we know, but it is sympathetic to its dancers, and to its viewers. There are a few naivetés, and the national dances of the third act – staged and rehearsed by another Moscow artist, Alla Boguslavskaya – are beyond the competence of any Western European dancers. (When Natalia Makarova staged ENB's previous *Swan Lake* she excised them, rather than see them abused. As performed by the Russian artists they can be the best thing of the evening: a look at a currently available video of the Kirov *Swan Lake* testifies to this. But Petersburg and Moscow train specialists in national dance; we give them to the nearest available dancer). Only the tarantella, brightly done by Alice Crawford and Eugenio Scigliano on Monday night, when I saw the staging, looked credible.

This *Swan Lake*, as with so many Soviet-age productions, has the happy ending demanded by socialist realism. Love conquers von Rothbart's spell, and though the stage action sits oddly on the music (and von Rothbart's last moments are not unlike a man trying to tango with himself), we are spared the sight of Odette and Siegfried going to paradise in a spectral dodgem car. We accept the good emotional intentions.

The production, in sum, is a success, and more than that, it has engaged the attentions of ENB's artists, who are dancing with a sense of purpose that seemed missing in the quagmire of last season's repertory.

But *Swan Lake* is still a 19th century ballerina-vehicle, and in an age perilously short of artists worthy of the title, this must present serious problems. Agnes Oaks, the Odette/Odile on Monday night, has a clear, true physique. Her view of the double role is dutiful, but as yet she has not found the lyric urgency, the hallucinatory beauty, that will bring this choreography to full emotional life. At her best, in the final act, she shows a grieving dignity that is appealing, and a largeness of physical outline to make the final happy resolution credible.

It is Thomas Edur, as Siegfried, who dominates the evening by the elegance of his means. As dancer, his every step, every action, is polished, graceful. His manner combines purity with very considerable technical resource – movement deeply satisfying not just because he jumps high, turns well, but because he shows how noble is his art in its physical ideals. As an actor he is sensitive, and establish a climate of feeling proper for the action. His "quietness" on stage is fascinating: nothing is forced, or mis-shapen by temperament. He is an aristocrat, and he dignifies everything he dances.

In an age over-populated with swans – most of whom, as readers of these columns must be aware, are hideous mutants – this staging does its duty by Tchaikovsky and by the popular image of *Swan Lake*. It shows not only what audiences want to see, but what they deserve to see. And that is no mean achievement.

Clement Crisp

English National Ballet is touring this new "Swan Lake": at the Mayflower Theatre, Southampton until February 27; at the Manchester Opera House from March 8 - 13. Production sponsored by Unilever

Weird weddings and wild nights

Nigel Andrews on the winners and losers in Berlin

Seldom does a film festival act as midwife to entire new sub-genre. But at Berlin a newcomer screamed into the daylight while critics gasped, onlookers applauded and everyone tried to determine whether it was a boy or a girl. Eventually they blithely shrugged and christened it the Gay With A Hint Of Straight Movie.

In each of three high-profile festival films – Japan's *Okoge*, France's *Les Nuits Fauves* and Taiwan's Golden Bear-winning *The Wedding Banquet* – a gay relationship is broken into by a heterosexual one, real or token, and the world has a brief, startling glimpse of non-sectarian sexuality.

Cyril Collard's *Les Nuits Fauves* is the most untamed of the films. The "wild nights" are enjoyed by Collard himself as the thirtyish hero, an HIV-positive film-maker swinging between a teenage girl and a young sportsman. Unprotected sex abounds: the director all but *invites* you to hiss as his (anti)hero hops from bed to bed, with time off for grope sessions in a gay cruising ground by the Seine. And unprotected aesthetics are also favoured. No genteel, cellophaned visuals here, as the handheld camera shudders from quarrel to punch-up to romance and back again.

At best the film is vividly personal, like animated pages torn from a diary. At worst it can seem like a long session of anarcho-narcissism, with a tacked-on moralistic ending as specious as a deathbed repentance. Either way, everyone talked and quarrelled about the film: which is exactly how life at a festival should be.

Pick of the Far East's two AC/DC entries was Ang Lee's *The Wedding Banquet*. Where Takehiro Nakajima's *Okoge* is a pleasant but puzzling comedy about a girl's friendship with two gay lovers – just *why*, we wonder, is she so besotted with them that she trails round Tokyo in their wake, lends them her spare bedroom, purrs at the sound of homo-erotic bliss through the rice-paper walls? – Lee's film takes a similar plot and turns it into a crowd-pleaser that also makes dramatic and psychological sense.

An entire new sub-genre emerged at the festival, christened 'gay with a hint of straight'

The hero (Winston Chao), a Taiwanese yuppie in New York, devotes half his emotional energies to living with his gay American lover (Mitchell Lichtenstein of *Streamers*), the other half to parrying parental postcards urging marriage. One day Ma and Pa turn up for a two-week visit. Stashing away the gay calendars and muscle magazines, the lovers masquerade as flatmates. Then a Taiwanese girl painter who wants a "green card" to stay in America is roped in as bride for a let's-make-the-folks-happy wedding.

There are loud laughs in this comedy with sentimental trimmings. But for a two-hour chunk of "feelgood" cinema, it also succeeds in avoiding false notes. When the lies and masquerades come unstuck, the story totters towards human disaster: only to right itself by going *deeper* into the characters rather than blanding them out for happy ending.

The Wedding Banquet shared an all-Eastern Golden Bear with *The Lake Of Scented Souls*, reviewed by me last week. Justice was done. Nothing else in the Berlin Competition sent one out glowing like these two films. Indeed much moviegoing was like dancing over hot coals: as you avoided one clinker, another lay in awful wait. You winced as you stepped on Holland's *The Homecoming*, a darkly ludicrous murder film shot as if by the light of a single candle. Then you scraped your sole painfully on Nordic angst in Norway's *The Telegraphist* or Denmark/Sweden's *Heartache*.

Outside the Competition life was more dependable. There was a cluster of good retrospectives (CinemaScope, Billy Wilder, Gregory Peck): there were Mr Wilder and Mr Peck themselves on show; and there was King Kong growling away atop the festival theatre.

Oh, and there was one final interesting oddity in the competition. It was Andrew Birkin's *The Cement Garden*. Ian McEwan's novel about incest, gardening and unusual burial procedures (look for Mum inside the metal locker filled with cement) is filmed in a grey, toneless, but oddly bewitching *sfumato* as if through clouds of opium smoke. Since the film was co-produced by France and Germany, there are incongruous Euro-actors: notably Charlotte Gainsbourg, Birkin's niece, as the daughter. But someone has done a fine dubbing job. They all *sound* as if they come the grungier reaches of British suburbia, and an initially unpromising film ends up holding you in sickly, sepulchral thrall.

INTERNATIONAL

ARTS GUIDE

■ BONN

Oper Tomorrow: Otello (repeated March 7, 10, 13, 28). Sun: Dennis Russell Davies conducts first night of Giancarlo Del Monaco's new production of Der Freischütz with Nadine Secunde, Eva Lind and René Kollo. Further performances on March 3, 6, 11, 14, 17, 20, 23, 26, 30 (773667)
Beethovenhalle Sat evening and Sun afternoon: Thomas Neuhoff conducts Cologne Philharmonic and Bonn Philharmonic Chorus in Mendelssohn's Elijah (773666)

■ COLOGNE

CONCERTS
Philharmonie Tonight: Ingo Metzmacher conducts Ensemble Modern in first complete performance of Henze's Requiem. Tomorrow and Sat: Andras Schiff plays Schubert piano sonatas. Fri: Alban Berg Quartet plays works by Haydn, Urbanner and Schubert. Sun: Dmitri Sitkovetsky directs New European Strings in works by Mozart, Wolf, Dohnanyi and Vivaldi. Mon: Helmuth Rilling conducts Bach. March 8: Ivo Pogorelich (2801)
OPERA
Opernhaus Tonight and Sat: TanzForum triple bill. Fri: Zar und Zimmermann. Sun: James Conlon conducts Lohengrin, with Gary Lakes, Eva Johansson, Sergei Leiferkus and Gabriele Schnaut. Next Thurs: revival of Macbeth with Franz Grundheber and Elizabeth Connell (221 8400)

■ FRANKFURT

MUSIC
Heinrich Schiff conducts Bamberg Symphony Orchestra in works by Berlioz, Lalo and Tchaikovsky on Sat at **Jahrhunderthalle Hoechst**, with violin soloist Tedi Papavrami (3601 240). Ingo Metzmacher conducts Ensemble Modern in Henze's Requiem on Sun at **Alte Oper**, with trumpet soloist Hakan Hardenberger (1340 400). The **Opernhaus** has Britten's A Midsummer Night's Dream on Fri and Sun (236061)
THEATRE
The **Schauspielhaus** has Schnitzler's 1911 play Undiscovered Country tonight and Sun, The Merchant of Venice tomorrow, and a new production of Sophocles' Antigone on Fri and Sat, directed by Anselm Weber (2123 7444)

■ THE HAGUE

Danstheater Tomorrow, Fri, Sat: Nederlands Dans Theater in Jiri Kylian's Kaguyahime (360 4930)
Dr Anton Philipszaal Tomorrow: Christian Zacharias plays Schubert piano sonatas. Sat: Evgeny Svetlanov conducts Hague Philharmonic Orchestra in Mahler's Sixth Symphony, repeated on Sun in Utrecht (360 9810)

■ HAMBURG

Staatsoper Tonight and Fri: Don Pasquale. Tomorrow, Sun, next Thurs and Sun: Eliahu Inbal conducts John Dew's new production of Aida, with Maria Guleghina, Michael Sylvester and Franz Grundheber. Sat: La traviata with Nancy Gustafson. Next Wed and Sat: Cosi fan tutte (351721)
Musikhalle Tonight: Elvis Costello. Tomorrow: Julian Bream. Fri, Sat: North German Radio Orchestra plays Schumann. Sun: Hamburg Oratorio Choir (343044)
Thalia Theater Tonight: Ariel Dorfman's Death and the Maiden. Sat: first night of new production of Die schöne Fremde, Klaus Pohl's topical play about German xenophobia (322666)
Deutsches Schauspielhaus Tonight: Death of a Salesman. Tomorrow: Heartbreak House. Tues: Es wird Zeit, German premiere of play by Tom Cole. Next Wed: Königsblut, Augusto Fernandes' adaptation of Ibsen's Pretenders (248713)

■ LEIPZIG

Gewandhaus Tonight: Jean-Claude Casadesus conducts MDR Symphony Orchestra in works by Honegger, Roussel, Prokofiev and Falla, with piano soloist Arnaldo Cohen. Tomorrow: Keith Jarrett. Sun: Vassili Sinaiski conducts MDR Symphony Orchestra in works by Stravinsky, Mendelssohn and Brahms, with violin soloist Christiane Edinger (7132 280)

■ LYON

Auditorium Maurice Ravel Tomorrow and Sat: Shlomo Mintz is conductor and violin soloist in a Beethoven programme with Orchestre National de Lyon (7860 3713)

■ MADRID

Walter Weller conducts the next two weeks of Spanish National Orchestra concerts at Auditorio Nacional de Musica. This week's programme (Fri, Sat, Sun) includes Beethoven's First Piano Concerto with Rafael Orozco and Tchaikovsky's Fifth Symphony. Tomorrow's concert is given by Spanish National Chorus (337 0100)

■ MUNICH

OPERA
Gasteig Tomorrow: Das Rheingold, opening of Bavarian State Opera's concert cycle of The Ring conducted by Marek Janowski. March 1: Die Walküre. March 3: Siegfried. March 8: Götterdämmerung. The cast includes James Morris, René Kollo, Ekkehard Wlaschiha, Poul Elming, Matti Salminen, Ute Vinzing, Marjana Lipovsek and Alessandra Marc (221316)
Prinzregententheater Fri and Sun: Hans Drewanz conducts concert performances of Don Giovanni, with Wolfgang Brendel, Deon van der Walt, Sharon Sweet and Inga Nielsen. Sun in **Cuvilliés-Theater** Marjana Lipovsek song recital (221316)
CONCERTS
Gasteig Sat and Sun: Sergiu Celibidache conducts Munich Philharmonic Orchestra in works by Beethoven and Haydn, with piano soloist Daniel Barenboim (4809 8614)
Herkulessaal der Residenz Tomorrow: Dmitry Sitkovetsky is violin soloist with New European Strings. Sat and Sun: Carlo Maria Giulini conducts Bavarian Radio Symphony Orchestra in symphonies by Schubert (299901)
THEATRE
The **Kammerspiele** repertory includes Botho Strauss' Final Chorus, Shakespeare's Much Ado About Nothing and Ibsen's When We Dead Awaken (2372 1328).
Residenztheater has Ariel Dorfman's Death and the Maiden, Ibsen's Ghosts and Shakespeare's Romeo and Juliet (225754)

■ NEW YORK

THEATRE
● Oleanna: David Mamet takes on political correctness, sexual harassment and other issues in this stirring drama. Not to be missed (Orpheum, 126 Second Ave at 8th St, 307 4100)
● Scapin: a musical production of Molière's comedy, lively to the point of mania. Till March 7 (CSC, 136 East 13th St, 677 4210)
● The Sisters Rosensweig: Wendy Wasserstein's new play, a comedy with serious undertones, about the reunion in London of three American Jewish sisters (Mitzi E Newhouse, Lincoln Center, 239 6200)
JAZZ/CABARET
● Algonquin Hotel: David Staller's early show is a Rodgers and Hart revival, followed by a late show on Fri and Sat only entitled Nöel and Cole. Dining (59 West 44th St, 840 6800)
● Blue Note: Tito Puente, one of the most prominent figures in Latin jazz, is in residence this week with his Golden Latin Jazz All-Stars. Dining (131 West 3rd St, 475 8592)
● Carlyle Hotel: Eartha Kitt is currently holding court (Madison Ave at 76th St, 744 1600)

■ ROME

Teatro Olimpico Tomorrow: Iliya Marinkovic violin recital. Next Thurs: Petersen Quartet. March 11: Vladimir Ashkenazy (323 4890)
Teatro dell'Opera Tonight and Sun: Lucia di Lammermoor, with Kathleen Cassello, Alfredo Kraus and Giorgio Zancanaro. Tomorrow, Sat, Tues: Die Fledermaus (sung in Italian). Fri: Bizet's Pearl Fishers with Giuseppe Giacomini and Alessandra Ruffini. Mon: Aprile Millo song recital. Programme liable to change at short notice (481 7003)

European Cable and Satellite Business TV
(All times are Central European Time)

MONDAY TO THURSDAY
Super Channel: European Business Today 0730; 2230

MONDAY
Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630

WEDNESDAY
Super Channel: Financial Times Reports 2130

THURSDAY
Sky News: Financial Times Reports 2030; 0130

FRIDAY
Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530

SATURDAY
Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230

SUNDAY
Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Edward Mortimer

Vote to break the bosses

Italy needs an Irish, not UK, electoral system

Few countries are wholly satisfied with their electoral system. In Britain many people are acutely frustrated by the unfairness of a system in which most voters have no chance of influencing the result one way or the other, and many live all their lives without being represented by either the party or the individual of their choice. Even the Labour party, which traditionally has favoured the system, seems now to be coming round to the idea of reform after losing four general elections in a row.

Yet in Italy there is even greater frustration at the effects of the party list system, where voters choose between lists of candidates drawn up by political parties. This ensures proportional representation (PR) for the parties but is also blamed for the immobility and corruption of Italian politics. The British system is envied in Italy because it gives voters the chance to choose between alternative governments.

The problem is, of course, that in a parliamentary democracy parliament has two functions – to represent the different strands of public opinion and to provide effective government – which are not easily compatible. PR achieves the former, but sometimes at the expense of the latter – a good reason, perhaps, for opposing it as a method of choosing national parliaments, but hardly applicable to the European Parliament, unless or until it is proposed to make Europe a parliamentary democracy, with a federal government responsible to a federal assembly.

In Israel, which at present has an even purer version of the party list system than Italy, with somewhat similar results, a law has been passed providing for the next prime minister to be elected directly by the people. Israelis do not seem to have realised it yet, but the effect will be to turn Israel from a parliamentary democracy into either a presidential one like the US (welcome to gridlock) or a semi-presidential one like France (welcome to co-habitation).

Italian reformers, less radical, are campaigning for a mixed electoral system. Although they would like a majority of MPs to be elected in single-member constituencies (with either one or two ballots), they want to keep the party list system for a minority – either one third or 40 per cent – to give a somewhat more proportional overall result.

Oddly enough this converges with the proposal currently favoured in the Labour party, which would keep the present British system for 500 MPs, but allow 150 to be chosen on a party list system. Such ideas approximate to, but fall well short of, the system used in Germany. There, half the seats are filled from single-member constituencies, the other half from party lists in such a way that each party's share of seats in the Bundestag is proportionate to its share of the popular vote, with the important qualification that parties obtaining less than 5 per cent of the votes cast get no seats at all.

The less radical Italian reformers are campaigning for a mixed electoral system

If what Italians want is to keep a reasonably representative system while abolishing the overweening power of party politicians, they should consider the single transferable vote system (STV). This is used in the Irish Republic; in Northern Ireland (for local and European, but not Westminster, elections); and in Malta, which one might think quite close to Italy culturally as well as geographically. But for some reason it is never mentioned in discussions on the continent.

In Britain, STV is usually advocated as a form of PR, but in a way that misses the point. PR is purely concerned with the relative strengths of political parties, taking for granted that voters identify with parties and wish to be represented by them. (That probably explains why there is little discussion of PR in the US, where political parties are relatively unimportant and personal followings, especially on the local level, count for much more.)

STV, by contrast, ignores the existence of parties. Voting takes place in multi-member constituencies, but votes are cast for individual candidates, not for party lists. Voters number the candidates in order of preference, in which they may or may not be influenced by party affiliation or endorsement. In so far as they do follow party advice the result will tend to be proportional, because surplus votes for a successful candidate are transferred to the voter's next choice. But marginal seats will often be decided between two parties by the second or lower preferences of voters whose first choice – whether already elected, or eliminated as having two few votes to win a seat in his own right – was a candidate of neither.

Thus the final outcome may give a different ranking of parties than would a straight proportional system, and yet be more representative, because even voters whose first choice was eliminated will be represented by their second or lower choice. This has the effect of limiting the number of parties in parliament, but in a more democratic way than either the single-member constituency system or the use of a percentage threshold – both of which effectively disfranchise supporters of small parties.

Most politicians hate STV, because it is subversive of party discipline. Even national leaders can on occasion be beaten by challengers from within their own party, if they lose touch with local opinion. That has led Labour's Plant Commission (chaired by Professor Raymond Plant) to reject STV as "capricious". But what it really means is that ordinary voters gain power at the expense of party bosses. In the present European – and especially Italian – political climate, that is surely a point in its favour.

Cost-cutting and gloomy forecasts of losses are taking their toll at Lloyd's, says Richard Lapper

The incredible shrinking market

Lloyd's: the problems mount

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Capacity [illegible]	[illegible]	[illegible]	10.9	[illegible]	[illegible]	[illegible]	[illegible]
Members	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Syndicates	[illegible]	[illegible]	401	[illegible]	[illegible]	[illegible]	[illegible]
Profit (loss) [illegible]	[illegible]	[illegible]	[illegible]	[illegible]			
Corporation employees	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"The florists round here are in for a rough time. There'll be no more ornate dinners with banks of flowers," says Mr Peter Middleton, chief executive of Lloyd's of London, as he bluntly reports a further round of cuts.

The savings at the corporation of Lloyd's, the "civil service" that regulates and services the troubled insurance market, are part of a wide-ranging management shake-out. In the seven weeks since Mr David Rowland, the new chairman, joined Mr Middleton in the suite of executive offices at the top of the Lloyd's building, the pace has quickened. Over the past six months, Mr Middleton has sliced nearly £30m off a £145m annual budget, cut 300 of 2,200 jobs and promised the loss of 300 more. Chauffeurs, administrators and information technologists have been dismissed, and the corporation's 15 management layers scythed down to six.

"It is going to be a year of quite profound change," promises Mr Middleton.

Now that many support jobs have been removed, Mr Middleton and Mr Rowland are turning their attention to the more than 200 businesses which make up the market. Advised by a "market board" of leading underwriters and brokers, as well as outside businessmen, Mr Middleton is preparing the first "business plan" in Lloyd's 305-year history.

Under consideration are several radical reforms, including potentially far-reaching changes to the agency system, which links the Names – the individuals who provide the market's capital – with the underwriters who use it.

Members' agencies – which handle the affairs of Names and allocate them to syndicates – could be stripped of many administrative and financial functions. This could force many smaller and less productive ones out of business and add to the rationalisation which has seen the disappearance of some 170 of the 401 syndicates active in 1990.

Mr Middleton is keen to bring a degree of centralisation to the fragmented market. "The outside world sees it as a single brand name," he adds, warning that Lloyd's is condemned to "dwindle into insignificance" if it fails to improve its competitiveness in international markets for specialist commercial insurance and reinsurance.

Despite the energy and drive of the new leadership team, its task has recently begun to appear more daunting. Optimism among underwriters and agents, fuelled by increases in insurance rates and the promise of a return to profitability in 1993, has been dented as the scale of the problems becomes apparent.

The 1990 year of account, which Lloyd's will report in June in line with its three-year accounting system, looks set to produce heavier-than-expected losses. Just a year ago Lloyd's characterised estimates that the 1990 loss might reach £1bn as "alarmist" and unduly pessimistic. It now appears that losses for the year could equal 1989's record loss of £2.06bn.

The chairman of one of the largest agencies says that the escalation of projected market losses for 1990 is worse than anticipated even as recently as December. "I don't think anybody in the market expected 1990 to be a colossal loss."

There are two main reasons. First, reports from a number of syndicates suggest that the worst of the claims from so-called "spiral" reinsurance, in which syndicates and companies reinsure each other's catastrophe losses, have not yet materialised. This has deepened the gloom of many at the market, especially those working Names whose syndicates were left relatively unscathed last year but who now face heavy personal losses. The scale and unexpectedness of the losses of one syndicate led one veteran underwriter, Mr Roy Bromley, to commit suicide at the end of last month.

Second, there are few signs of a reduction in the level of claims from asbestosis and pollution in the United States, where potential liabilities on old policies sometimes written more than 30 years ago could undermine the market. Syndicates have reserved more than £2bn against such losses.

Last week it emerged that Syndicate Underwriting Management, which handles the claims against more than 80 syndicates that have gone out of business, was last year notified of a 30 per cent increase in the number of possible claims arising from US pollution cases.

While the trend of judgments in US court cases over who should pay the cost of environmental clean-ups ordered by the federal government has not been clear-cut, underwriters nevertheless feel vulnerable. "Some professionals think that pollution is the end of the world as we know it," says one leading underwriter.

Other factors have played a part in eroding the market's confidence. Lloyd's is bracing for another round of bad publicity over litigation between Names and their agents. Several thousand of the more than 30,000 Names who have underwritten at Lloyd's in the past five years are involved in some form of legal action. Two of the largest cases – those involving the Feltrim and Gooda Walker syndicates – are set to come to court over the next two years. Efforts to reach a global settlement of all outstanding cases are under way but so far no proposals have emerged.

The decline of the market's capital base is also prompting concern. The scale of recent losses has forced many Names out of the market and caused others to reduce their commitments. This year capacity (the amount available to back insurance premiums) is expected to shrink by at least £1.5bn (see chart). Another fall is forecast next year, with some observers expecting capacity to drop to less than £7bn.

Already there are indications that Lloyd's is losing some business to financially strong European insurers and reinsurers. Mr Jeff Fieldson, vice-president of Johnson & Higgins, the US broker which places business for many of the world's biggest companies, says groups like his still work through Lloyd's but increasingly turn to insurers in Paris, Munich, Trieste and Zurich to complete big deals.

Mr Middleton and Mr Rowland have responded to these problems with a two-pronged programme of cost-cutting and raising new capital. Swingeing job cuts are already well under way but efforts to attract capital are only just beginning.

Such a course of action was recommended by a market task force chaired by Mr Rowland last year. His report proposed capacity of at least £13bn by 1997, a goal which, on present trends, Lloyd's is far from achieving. Institutional investors and insurance companies as well as wealthier Names will be targeted.

However, the uncertainty stemming from the market's exposure to asbestosis and pollution claims is a significant block to new entrants. This legacy from the past is beginning to emerge as the single most important constraint to recovery, while efforts to resolve it highlight the potential clash between present and future investors.

A growing number of market professionals wants to "fence off" old liabilities by leaving syndicate accounts for 1990 open. This would mean that responsibility for losses arising in 1990 would have to be met by only those Names who were members of Lloyd's in that year. New Names would be exempt. Last year Lloyd's made it easier for agents to leave syndicates' accounts open and, as a result, the number of syndicates with open years doubled to more than 100. This week, however, the market appears to have ruled out the idea of forcing syndicates to keep 1990 open.

This is unlikely to stop the practice despite its "harsh" effect "on Names who have stuck with us through thick and thin", says one agent. But it is a sacrifice they may be called upon to pay if Lloyd's is to surmount its present crisis.

LETTERS TO THE EDITOR

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Cottoned on to Benetton pricing

From Mr Jack O'Neill.

Sir, In Mr Haig Simonian's article on Benetton (International Company News, February 17) he quotes Mr Luciano Benetton as saying "... important raw materials, such as wool and cotton, have not gone up in price in spite of the lira's fall".

One year ago the price of cotton (Cotton Outlook A Index) was 55.60 cents/lb; currently it is 61.95 cents/lb. The lira-US dollar exchange rate a year ago was L1,218, today it is L1,560. This makes the cost of 1lb of cotton L677 a year ago and L960 now; a rise of 42 per cent!

The fall of the lira against the dollar commenced in September 1992 and cotton prices started to rise towards the end of 1992. Certainly it will take time for the full amount of the increase to work through manufacturing costs, because of futures, US dollar covering and inventories. It will be impossible to ask an already shattered cotton textile industry to absorb such an increase. Unless, of course, Mr Benetton would like to see the industry stripped naked too.

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Prompt release of information the best counter to leaks

From Mr J L T Davies.

Sir, Surely the obvious way to combat leaks of official statistics ("CSO combats leaks of official statistics", February 20) is for the Central Statistical Office to release this information as soon as it is available. There really is very little point in companies and organisations endeavouring to make prompt statistical returns if ministers then sit upon the results. This type of statistical information is not just price sensitive, but is used in a whole variety of important applications within industry, and the sooner it is made available the more useful it is.

The situation with regard to the retail price index is, of course, particularly scandalous. First, the latest information is withheld from the public for nearly two weeks after becoming available and, second, this is a statistic which, if derived from the electronic databases of a representative sample of leading retailers, could in fact become almost a real-time item of data similar to the FT index. Instead, I understand that much of the information used is still collected by investigators visiting stores and noting down prices.

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Business Expansion Scheme will bail out building societies

From B C Anderson.

Sir, I refer to John Gapper's article "Back from the brink of despair" (February 17). It is not the very large drop in interest rates which is going to bail out the building societies movement. The release of repossessed properties from the non-performing loan book into Business Expansion Schemes will be the significant factor.

The government is allowing higher-rate taxpayers 40 per cent relief to put money into Business Expansion Schemes which will defer for five years the impact of the iceberg while only tying up the investors' capital for six months.

Notwithstanding lower interest rates and Business Expansion Schemes, the building society movement still has to address the fact that transactions have fallen by more than 50 per cent and the present high numbers of staff cannot be supported indefinitely unless the number of transactions is increased significantly towards levels previously attained.

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Commission has wrong priorities

From Mr Bryan Cassidy MEP.

Sir, Iain Vallance makes justified criticisms of the European Commission's gingerly approach to telecommunications liberalisation (Personal View, February 18).

Indeed, the situation is more alarming than even he indicates. Here is paragraph 18 of the European Commission's recently published work programme for 1993:

"The Commission's proposals concerning telecommunications will be designed to establish for a period of 8 to 10 years a stable framework, approved by all interested parties (regulatory authorities, network operators, service suppliers and users), laying dawn the various measures to be introduced gradually to promote the establishment of advanced trans-European networks. The guidelines for satellite and mobile telecommunications will continue to be applied. There will be no let-up in the Commission's endeavours to facilitate the introduction of high definition television in Europe."

It would be hard to think of a better example of diametrically wrong priorities. The EC needs to speed up work on trans-European telecommunications networks while slowing down on the misconceived high definition television programme.

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Coming to the defence of gilts for pension funds

From Mr Paul Haines.

Sir, John Plender ("Time to tilt the balance", February 9) is right to highlight the debate between equities and gilts for pension funds. Many pension funds are significantly more mature than 20 years ago and need a higher gilt exposure than is suggested by the typical fund. Furthermore, Mr Plender is right that fund managers as a group will change the asset distribution very slowly, paying more attention to what their competitors are doing rather than a fundamental assessment of the comparative values of different asset classes: a strong case for funds looking at their strategies on an individual basis.

However, the case that Mr Plender seeks to build for gilts over equities seems to be a classic case of the smear campaign: if we throw enough mud at equities, some will stick.

There are a number of points I would like to challenge.

● The article claims that falling dividend yields are bad news for pension funds as actuaries value equities on the basis of their income stream rather than their market value. This is indeed the generally accepted valuation procedure, but it is not affected by the dividend yield per se: the level of dividend is obtained by multiplying market value by dividend yield and a decline in one caused by an increase in the other is irrelevant.

● Real dividend growth may well have been negative from 1962 to 1992 but in this period equities returned 12.7 per cent a year against a cost of living increase of 9.5 per cent and a return on fixed interest stocks of 7.5 per cent a year.

● In reviewing the likely returns from equities, the article quotes 3 per cent a year as the "century in/century out real return on risk-free bonds". Where does this come from? There has been no 30-year period since 1945 when UK fixed interest stocks provided a real return of 3 per cent a year.

Furthermore, there has been no 10-year period since 1945 when fixed interest has outperformed equities – not even the 10 years ending December 31 1974.

There may well be a case for pension funds favouring gilts over equities, but it needs to be made on a clearer basis than a selective historical analysis and a misrepresentation of actuarial techniques.

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Mr Bentsen's loose talk

OFF-THE-CUFF quips may be powerful weapons in the heat of campaign politics, as US Treasury secretary Lloyd Bentsen memorably demonstrated in the 1988 vice-presidential debate with Mr Dan Quayle. But in the world of international finance they should be avoided. Mr Bentsen's offhand remark to journalists last week that he wanted to see a stronger yen exchange rate against the dollar may not have been intended to signal a shift in US policy towards managed exchange rates. But it sent the dollar crashing all the same, and will have won Mr Bentsen few friends in Tokyo.

Mr Bentsen's remarks, if unintentional, were certainly insensitive. By appearing to associate the US administration with proposals for a 20 per cent yen revaluation, currently being touted by Mr Fred Bergsten, assistant Treasury secretary in the Carter administration, Mr Bentsen has not helped his efforts to revitalise co-operation between the Group of Seven industrial countries at this weekend's meeting in London.

Not that a rise in the value of the yen is necessarily undesirable. Regrettably, Japan's record bilateral surplus with the US is an embarrassing political problem for President Clinton. A gradual appreciation of the yen is a better solution than the protectionist trade policies that elements in the US Democratic party would prefer, however painful for some of Japan's manufacturers.

Yet the prospect of a return to 1980s-style exchange rate management sends chills down the spines of Japanese government officials. For policy co-ordination over the past decade, by concentrating on tinkering with exchange rates while ignoring the fiscal causes of trade imbalances, did more harm than good. The loose monetary policy that US Treasury secretary James Baker persuaded Japan to pursue after 1985 is largely to blame for Tokyo's stock market bubble and subsequent recession. Nor does a rise in Japanese interest rates, to force up the yen, make any more sense today, a fact that US officials understand. Only one senior US Treasury official has a name beginning with "B" and ending with "n", last week's Japanese delegation to Washington was reportedly informed.

Mr Bentsen's remarks are bound to divert attention from his case for more growth-friendly policies in other G7 countries. The Bush administration's repeated calls for concerted action to speed growth always sounded hollow while the US budget deficit remained large and long-term interest rates high. But the Clinton team can now point to last week's deficit-reducing package as a tangible attempt to rebalance the US economy, and the ½ point fall in long-term interest rates since the election as evidence of how fiscal rebalancing might work.

Now it is Europe's turn. Germany's dangerously unbalanced fiscal and monetary policy is imposing high interest rates, slow growth and rising budget deficits across Europe. A German package of tax increases and spending cuts is the best way to reduce high European real interest rates. Tokyo, meanwhile, can and should be cajoled into exploiting its healthy fiscal surplus in order to revive the currently depressed state of Japanese domestic demand, the main reason for Japan's rising trade surplus.

A further Japanese fiscal package, signalled yesterday and possibly an element in a G7 initiative to revive the world economy, is the best way for Tokyo and the Clinton administration to stall the US protectionist lobby. A by-product of such a package is likely to be a further appreciation of the yen against the D-Mark bloc currencies, and possibly against the dollar too. But the world economy will be a safer place if exchange rate movements occur as a consequence of sensible domestic policies, not instead of them. Lloyd Bentsen, it must be hoped, is in this respect no James Baker.

Funding the UN

IN THE past western governments had some excuse for thinking of the UN as an expensive talking shop of limited use, which had to be kept on a tight financial rein. But in the last two or three years those very governments, through the Security Council, have loaded the organisation with a succession of exacting tasks, especially in the field of peacekeeping.

It was therefore quite a shrewd move on the part of the secretary-general, Mr Boutros Boutros Ghali, to encourage the Ford Foundation to set up a high-level independent advisory group on UN financing, co-chaired by Mr Paul Volcker with Mr Shijuro Ogata, the respected former deputy governor of the Japan Development Bank, and including such impeccably orthodox financial luminaries as Raymond Barre, Pehr Gyllenhammar, Karl Otto Pöhl and Sir David Scholey.

It may not be an original observation, but it is still a remarkable one, that the UN spent less on peacekeeping in 1992 than the cost of one stealth bomber, or of operating the New York City Police Department for one year. Perhaps in itself such frugality is a matter for congratulation, but the effects of parsimony, and more especially of the hand-to-mouth way the money is raised, are increasingly and unpleasantly visible in the time it takes the secretariat to respond when instructed to provide peacekeeping forces, and sometimes in the mishandling of peacekeeping tasks when the forces do arrive.

The group rejects the suggestions that the UN be given authority to borrow, but accepts such ideas as charging interest on contributions in arrears and allowing the secretary-general to commit a proportion of the funds for a peacekeeping operation as soon as the Security Council has approved it. It also advocates the creation of a revolving reserve fund for peacekeeping set at $400m (much larger than the $50m Mr Boutros Ghali had suggested), recommends a regular appropriation for peacekeeping training, and urges the UN to consider the merits of a unified peacekeeping budget, in place of the separate budgets currently in use for each operation. And it lends its considerable authority to the notion that, since peacekeeping is "an investment in security", governments should finance it from their national defence budgets.

The report should be taken seriously, not least by the two countries which have invested most (politically if not financially) in the UN's new role, and whose leaders are meeting each other for the first time today.

Landed interest

FOR MARGINAL voters in London and the south-east, the leasehold enfranchisement proposals now contained in the housing and urban development bill were one of the more tempting morsels in the Tories' shop window at the last election. But as the rumblings that preceded yesterday's second reading in the Lords demonstrated once again, this opportunistic assault on property rights sticks in many a Tory gullet. Though hedged about with qualifications, the leaseholder's proposed right to buy looks to the landed interest like a clear case of the government failing to uphold contracts freely entered into.

Yet the argument about property rights was lost long ago when the 1967 Leasehold Reform Act first enfranchised many home-owners. When the Duke of Westminster subsequently took his case against the legislation to the European Court of Human Rights, he was told that the compulsory transfer of property from one individual to another "might constitute a legitimate means of promoting the public interest"; and that "the enhancement of social justice within the Community could properly be described as being in the public interest".

Since the government's chief aim in the present bill is to extend home ownership, that principle can be evoked here with equal plausibility. It is simply a case of unfinished business. The real question is whether the outcome is likely to be economically efficient and whether the terms of the transfer are just.

At present the management of much of Britain's leasehold residential property stock is anything but efficient. Even at the top end of the market there is no shortage of bad landlords. The leasehold system has tended to grant full control to the landlord without imposing commensurate responsibility. Part of the case for home ownership is precisely that owner occupiers are more actively committed to the proper upkeep of the housing stock. And in the present instance, there is the further benefit that enfranchisement will allow many hitherto unmortgageable leasehold properties to attract conventional mortgage funds, adding flexibility to the housing market.

The issue of justice is more complex. The enhanced value arising from enfranchisement is to be shared equally between landlord and leaseholder. That suggests that the landlord is the loser. But in practice the leaseholder faces big uncertainties and costs in the enfranchisement process. The verdict at this stage must be open.

Butterflies before the first date

Major's meeting with Clinton matters far more to the UK leader than the US president, says Philip Stephens

It has been impossible to miss the apprehension in John Major's entourage as he prepares for his first visit this afternoon to Bill Clinton's White House.

The anxiety is understandable. The UK and US leaders have never met. They confront a formidable array of issues.

President Clinton's latest salvo against subsidies for the European Airbus consortium has provided an awkward reminder of the trade disputes souring transatlantic relations. The Gatt world trade talks have stalled. Washington is retaliating against what it judges to be unfair support for European steel companies. Other trade rows loom on the horizon.

Britain is further discomfited by the moral dimension that President Clinton promises to inject into US relations with the rest of the world. Visible already in his approach to Bosnia and China, this has added a fresh uncertainty to the world disorder that has followed the end of the cold war.

The administration's decision to back the peace efforts of Lord Owen and Mr Cyrus Vance in Bosnia has removed some of the initial transatlantic friction over its approach to the crisis in the former Yugoslav province. But there are still doubts about how it will respond as events continue to unfold.

Further afield, the US moral tone is viewed as a threat to the prosperity of Hong Kong during the critical period before the colony's transfer to Beijing. A decision by the new administration to revoke China's Most Favoured Nation trading status on human rights grounds would jeopardise 15 per cent of Hong Kong's exports.

Then there is the awkwardness caused by President Clinton's decision to send an emissary to Northern Ireland. It is a problem that can, and almost certainly will be, smoothed over, but a nuisance nonetheless.

There are more fundamental strategic concerns for the UK. Washington plans to scale down to 100,000 troops its commitment to European defence: this is judged in London not to threaten the US's pivotal role in Nato. But Mr Major fears that, if Washington were to go much below that figure, it would seriously threaten the alliance that has kept the peace in Europe for 40 years.

The underlying question concerns how the US sees its place in the world – whether it decides to look westwards to the Pacific for its future, rather than eastwards to Europe – more than bilateral relations with Britain. But historical associations mean that the uncertainty about the new administration's response to that question is felt most acutely in London.

So it is an important meeting: but much more so for Mr Major than for Mr Clinton. Politically on the defensive at home, the UK prime minister has to demonstrate that he remains a force on the world stage. To do that he must be seen to get on with the first Democrat in the White House for 12 years.

Mr Clinton, taking a few hours off from selling the bold domestic programme which he set out last week in his state of the union address, has nothing to prove to his British cousins.

For weeks now, UK officials and ministers have been explaining why the encounter will go well: the special relationship, a concept still prized in London if rarely mentioned in Washington, will be reaffirmed. Their arguments go something like this:

The two men are both 40-something, representatives of the new generation of world leaders for the 1990s. They will be around long after President François Mitterrand and Chancellor Helmut Kohl have left to write their memoirs.

The president, it must be admitted, is a Democrat. But if you discount the labels, that does not leave him far removed on the political spectrum from Mr Major's brand of conservatism. And if a couple of Tory henchmen helped the former president, George Bush, in the US election campaign, nobody told the prime minister.

Sometimes the claims made for the forthcoming meeting are amusingly extravagant. The two men, it is said solemnly, will find common cause in their similarly humble backgrounds. No one bothers to fill in the detail of the shared boyhood experiences of the Rhodes scholar from Arkansas and the self-made politician from Brixton.

But there are also more substantial points. It is suggested that one of Mr Clinton's first acts was probably to draw up a list of the foreign policy issues that could distract him from the priorities of his domestic agenda. Beside each, he will have noted the position of each of his main partners. A glance down the list will have confirmed that Britain appears most frequently next to the US, as its most consistently dependable ally.

And the cold-war habit of close co-operation on military, intelligence and security questions has been reinforced by joint action against Iraq.

The arguments add up to a reasonable pitch; and one that US diplomats in London have been happy to substantiate. Mr Raymond Seitz, the Anglophile US ambassador, has been bustling around Whitehall, confirming the symbolic significance of Mr Clinton's decision to put Mr Major near the top of his list of visiting world leaders. The Japanese must be furious.

Mr Major's problem is that the intensity with which the pitch is made betrays the underlying apprehension. His officials are right on one level, wrong on another.

He should get on well personally with the new president. He has a talent for making friends of old enemies – witness the bridges he built with Chancellor Kohl after Lady Thatcher's departure. There is no percentage for Mr Clinton in being anything but gracious to his guest.

But the easy friendship and shared certainties that flowed from the coincidence of 12 years of Republican presidents and Conservative prime ministers will be impossible to recapture. With the ending of the cold war, Britain has less to offer. Mr Clinton has different preoccupations.

The economic revival that buttressed Lady Thatcher's claim to a prominent role on the world stage has dissolved into grim recession. In crude political terms, Mr Major at present is weaker than any British leader since the 1970s.

With a Democratic Congress behind him, Mr Clinton is as strong as any recent president starting a first term; and he has pinned the future of his presidency on the success of a domestic rather than an international agenda.

So the astute minds in Whitehall have already adjusted their assessment of the relationship. Certainly Mr Major should be seen to get on with President Clinton. But the prime minister must emphasise an uncommon coincidence of interest between the two countries rather than press any claims for special privileges.

Here Mr Major moves on to much firmer territory.

He can offer no easy solutions to the trade problems threatening EC-US relations. But he can project London as Washington's staunchest ally in opposition to a fortress Europe, the honest broker between Washington and Brussels.

No other member of the European Community is as unashamedly in favour of free trade. Few others are as committed as Mr Major to the EC's enlargement, to include first the Nordic countries and later the new democracies in eastern Europe. The unspoken question at the White House this afternoon will be: would President Clinton prefer France to set the tone for transatlantic relations?

There is common ground across a broad swathe of foreign policy preoccupations. Mr Major proved in the final days of the Bush administration, in the confrontation with Saddam Hussein of Iraq, that Britain is as reliable an ally as a US president can expect. The same offer will be open to President Clinton.

London may seem reluctant to join Washington on the moral high ground in its approach to the Bosnian crisis. But on a practical level Mr Major will offer firm support for Washington's determination to tighten the screw on Serbia and its leaders. He has kept to himself the serious doubts in Whitehall about the US plan to air-drop supplies to Bosnian communities.

It is on the practice of co-operation that Mr Major is basing his hopes of establishing a rapport with President Clinton. But, if he is wise, he will allow talk of the special relationship to drift quietly into the history books.

A provincial lesson for Moscow

PERSONAL VIEW

There is a danger that the recent changes in the Russian federal government may divert attention from the progress being achieved in the provinces. This may hinder western businesses' understanding of how to gain a foothold, in regions where western assistance is already playing a useful role in the implementation of reform.

As the governor of the Nizhny Novgorod province and a deputy to the Russian congress, I participate in government at the local and national level. I therefore have the benefit of both perspectives. Political uncertainty in the centre has stood in sharp contrast to the continuity in the provinces, where reforms will continue to be implemented despite Mr Victor Chernomyrdin having replaced Mr Yegor Gaidar as prime minister of the federal government.

Nizhny Novgorod province, which has a population of 3.7m and is home to the third-largest city in Russia, provides a significant case study of reform and the constructive role the west can play in it. Once known as the "pocket book of Russia" because of its trading wealth, Nizhny Novgorod more recently gained fame as Gorky, the closed city that was the home-in-exile of Andrei Sakharov.

Restored to its original name and opened to foreigners for the first time since Stalin's rule, Nizhny Novgorod is benefiting greatly from foreign assistance, including technical assistance from the International Finance Corporation, conversion assistance from the International Executive Service Corps, and education and training for our residents from the US Peace Corps and the University City Science Centre of Philadelphia.

Technical assistance has enabled Nizhny Novgorod to make progress toward establishing a market economy. When our province decided to implement the first privatisation of small-scale enterprises, including shops and small service establishments, we began our work with IFC. This co-operation has embraced new programmes designed to deepen privatisation, including restructuring our truck transport industry (financed by the US and the UK) and privatisation of collective farms. Not only has our province benefited from exceptionally rapid and well co-ordinated privatisation, it has also served as a model to other Russian provinces.

We embarked on the first privatisation programme in Russia in March 1992, developing the auction method of privatisation now being used throughout Russia. A framework for privatising retail establishments had been in place for months on the national level, but only when we took the initiative was the programme implemented.

Technical assistance must be targeted at important sectors to make efficient use of limited aid resources

We then began to privatise trucking enterprises and individual trucks. The truck auctions involved the first use of privatisation vouchers in Russia and, again, Nizhny Novgorod's programme is being used as the basis for similar privatisation in other provinces.

While technical assistance must be targeted at important sectors to make efficient use of limited aid resources, it has helped us to push privatisation forward along a broad front. Our provincial privatisation agencies, emboldened by a string of successes, have embarked on ambitious programmes of their own. They have launched sectoral programmes for our wholesale trade network, construction industry and food processing plants.

We are currently putting a programme in place to privatise agricultural land, once again with US financing and IFC expertise. Although the number of private farms established to date is insignificant, I am confident that we will develop a model that will help thousands of collective farms locally and throughout Russia to reorganise on the basic of private land ownership.

The main barrier to reforms has not been a lack of legislation, but difficulty in implementing them at provincial level. Experience gained in Nizhny Novgorod has made a significant contribution by showing how the law should be applied and, in many instances, by demonstrating that privatisation can work and will have a positive impact.

Barring a radical reversal of policy, including the repeal of dozens of Supreme Soviet laws and presidential decrees, central government will have little effect on the pace of our privatisation programmes or those of other provinces.

The new Russia is the sum of its provinces in a way the Soviet Union never was. People who want to assist us in our process of change would do well to look beyond the capital. The impact of privatisation assistance to our province to date cannot be overestimated, and our experience has had a big impact on Russia as a whole.

Boris Nemtsov

The author is governor of Nizhny Novgorod province and deputy to the Russian Federation Congress

OBSERVER

Pyramid victory

■ Don't cross Peter Munk. After 15 years pursuing Egypt through the courts, the hotelier turned gold-bug has again come out on top. The country is paying him $17.5m to settle a long-running row.

He is best known these days for his Canadian gold and oil property businesses encompassing American Barrick Resources, one of the biggest gold producers, and Horsham. But back in 1974 he led a group of investors in Southern Pacific Properties, which launched the first big development project in Egypt in line with President Sadat's "open door" policy for western investment there.

In a joint venture with the Egyptian ministry of tourism, SPP was to develop hotels and tourist resorts near the pyramids, and at Ras el Hekma on the Mediterranean coast. The project angered Islamic fundamentalists; it was defiling the pyramids and insulting ancient Egyptian civilisation, they said. Sadat caved in, the government pulled out and the scheme collapsed.

Munk has been seeking compensation for SPP ever since. He won his first court case at the International Chamber of Commerce Tribunal in Paris 10 years ago, when Egypt was ordered to pay $12.5m plus interest. Its government appealed, and did so again even after the International Centre for Settlement of Investment Disputes in Washington awarded Munk $27.6m. But now the parties have agreed a settlement.

Although often told he was flogging a dead camel, multi-millionaire Munk pressed on. The same tenacity has been felt by UK stockbrokers James Capel, which in 1989 incensed him by buying shares in Consolidated Gold Fields on its own account after being instructed to build a stake in Gold Fields for American Barrick.

Two years later, without admitting liability, Capel settled out of court for about £2m.

Mr Fixit

■ When all else fails, send for Dr Tony O'Reilly. What else could explain the surprise appearance of Ireland's world-renowned businessman in negotiations to save Digital Equipment's Galway computer plant?

On paper the UK seems to have the upper hand, since to keep manufacturing production at Ayr it can dangle contracts worth some $400m a year under Digital's nose. However, Irish prime minister Albert Reynolds has asked O'Reilly to have a word with Digital's chief executive, Robert Palmer.

What will O'Reilly have to offer that wasn't already offered by Ruari Quinn, Ireland's minister for employment and enterprise, when he met Palmer in Boston on

'I'm breaking out tonight and then I'm emigrating'

Monday – tickets to the Irish-Welsh rugby match on March 6, perhaps?

Keep Cuba Tidy

■ Could it be that the lack of competition in today's Cuban election is designed to keep the streets clean? According to Fidel Castro, sparse resources are not being squandered on littering streets with election literature and dissenting candidates.

The island's first election since the 1959 revolution will be "the purest in the world", he says. It is not going to be an exercise in "cheap politics and demagogy ... which you see today in a large part of the world".

Product-led

■ With Sir Michael Angus now toiling at BA and the CBI, who will make a song and dance at Unilever? Not, it seems, Mike Perry, his successor as chairman, who refuses to follow Angus's tradition of enlivening press conferences with an impromptu limerick or ditty.

A marketing man by background, Perry chose instead to use the occasion to promote the company's wares, producing a succession of new products out of a tatty cardboard box and lining them up on the rostrum. According to his colleagues, it wasn't just an act for the cameras; he's been known to do the same at board meetings.

Car-thartic

■ Sprechen Sie Deutsch? That is a question Jacques Calvet – Peugeot chairman, Japan-basher extraordinaire, Maastricht opponent, etc, etc – prefers officials from the Bank of France, at least, to answer in the negative.

He has two current bugbears. One is the Bundesbank's insularity in refusing to slash interest rates. The other is French cross-party support for an independent central bank which he sees as "the French humbling themselves in front of the Germans once more".

Hence Calvet, who's after all trying to sell cars in notably inclement conditions, was yesterday muttering that the next step would no doubt be a requirement that his country's central bank staff parlez allemand.

Not that devaluation isn't the same thing in any language.

Denway's debut

■ Not hard to see who were the real winners in this week's Hong Kong stock market debut of Denway Investments, the China "concept" stock which was 657 times oversubscribed.

Denway itself ought to have made HK$120m-HK$150m simply from the interest on owning the over-subscription funds for a week. Not bad, given that it only forecast HK$129m net profit for 1993.

Denway's main adviser, Peregrine, should have done nearly as well. As part of the underwriting deal, it got to keep 3 per cent of the issue, which could mean it will double the near HK$50m in fees it has earned.

Doggerel

■ Prompted by yesterday's news of Glasgow University's retention of Latin for official ceremonies, a reader offers a motto for schools – "I see, I hear, I learn", translated as "Video, Audio, Disco".

FINANCIAL TIMES
Wednesday February 24 1993

Amato to seek partners' public show of support

By Robert Graham in Rome

MR Giuliano Amato, the Italian prime minister, will seek a parliamentary vote of confidence later this week to force the four parties in his coalition to demonstrate publicly their support following the weekend cabinet reshuffle.

Such support is needed to allay fears of waning enthusiasm for Mr Amato from elements within the Christian Democrat and Socialist parties, the two main partners in the fragile coalition. These fears, accentuated by Mr Amato's inability to move Mr Giuseppe Guarino, the industry minister, in the reshuffle, led to further falls in the lira yesterday.

The Socialist prime minister has used the confidence vote to bring his fragile coalition into line on several occasions during his eight months in office. Yesterday he challenged parliament to come up with an alternative government, adding: "If this is not possible, then it is both necessary and urgent that the government be able to get going again with all its energy in a climate of certainty."

This approach is a reversal of his stand immediately after the reshuffle on Sunday when he ruled out such a vote. He argued the ministerial changes were limited and policy was unaltered since the former communists of the Democratic Left unsuccessfully brought a motion of no confidence at the beginning of the month.

But his coalition partners have become increasingly divided by the effects of Italy's spreading corruption scandal and uncertainties over how long the present government should be allowed to last.

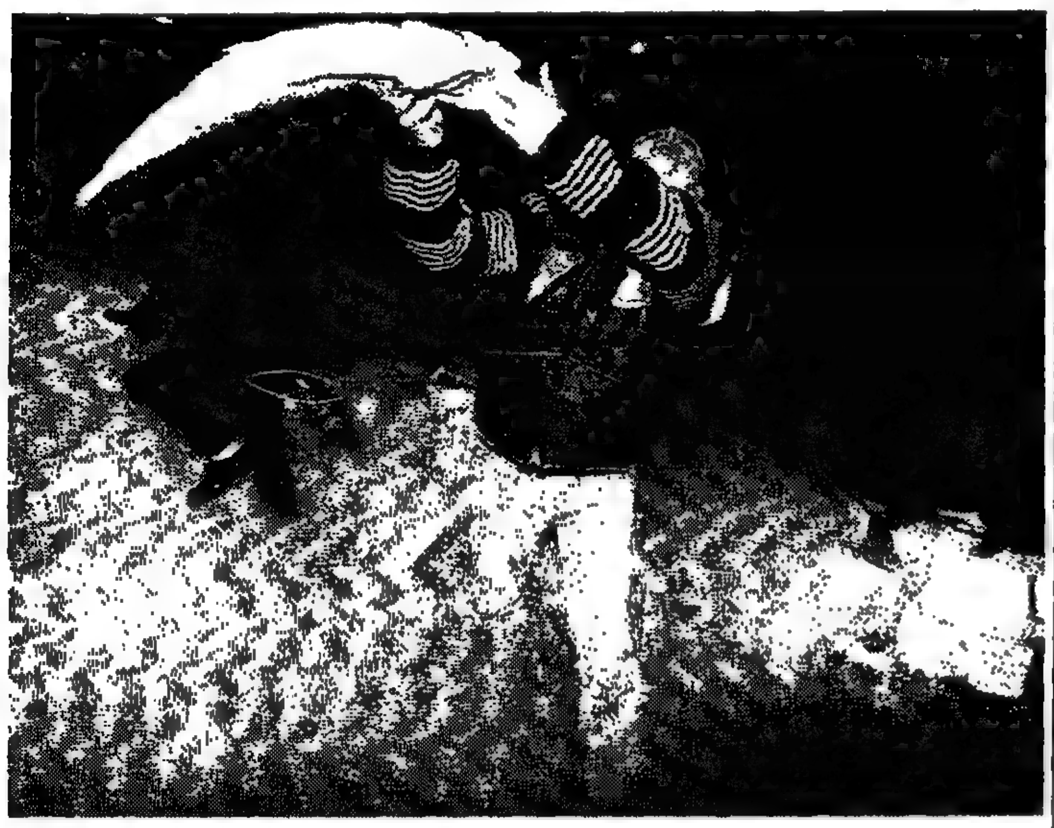
Since the most recent no confidence motion, the Socialists' unity has been profoundly shaken by three events – the enforced departure of Mr Bettino Craxi from the leadership; the election of a compromise successor, Mr Giorgio Benvenuto and the resignation of Mr Claudio Martelli as justice minister.

Mr Amato must also contend with a cabinet containing a minister clearly identified as the odd man out – Mr Guarino, the opinionated constitutional lawyer with the industry portfolio. Mr Amato sought over the weekend to move him because he was holding up privatisation.

Mr Guarino was offered the education or science ministries but refused to budge. An Italian prime minister can only sack ministers in a complete change of government. This is the first time a minister has not resigned under such circumstances.

Yesterday, Sole 24 Ore, the leading financial daily, said it was so disgusted by Mr Guarino's behaviour that in future he would not be referred to by name.

Mr Guarino yesterday stressed his willingness to work with the cabinet, but his position remains anomalous. He confirmed his fundamental differences with the government over privatisation and criticised the way Mr Amato had rushed through legislation to remove any responsibility for privatisation from the industry ministry.



A fish is hurled at riot police during protests by French fishermen at the Rungis market near Paris

France in plea to EC after fishermen step up protests

By Alice Rawsthorn in Paris and David Owen in London

THE BRITTANY fishing ports were quiet last night after a day of violent clashes between police and fishermen who were protesting against the increase in imports of cheap fish into France.

The French government, anxious to prevent further violence in the approach to next month's parliamentary elections, stepped up its lobbying efforts to persuade the European Commission to impose minimum prices on some types of fish.

The Brittany ports, the heart of the French fishing trade, have been paralysed for the past two days by the fishermen's dispute. The protests reached a climax in the early hours of yesterday morning when 800 fishermen, mainly from Brittany and the neighbouring region of Vendée, stormed the large wholesale fish market at Rungis, Paris.

In London yesterday, Mr John Major, the prime minister, promised to leave France in no doubt that those who carried out attacks, like those on a British consignment of fish in Brittany on Monday, should be brought to book. Protests had already been lodged with the French authorities concerning last weekend's incidents at Roscoff, he said.

France would be told it was expected to act where necessary to "safeguard free trade, to pay compensation when losses have occurred and to bring the perpetrators to book".

Mr Major's response followed demands by Conservatice members of parliament yesterday that he raise the issue with the French government and ensure compensation was paid to "all in Britain who have lost cash".

In Paris, Mr Charles Josselin, maritime affairs minister, said on radio that, after talks with Mr Jacques Delors, president of the EC, he was confident that the Commission on Friday would confirm plans to introduce minimum prices for fish imports. The pricing scheme is expected to involve penalty taxes on anyone breaching the new rules.

In yesterday's violence in France, stalls were smashed, computers were wrecked and lorries vandalised. Cargoes of imported fish were flung on to the floor and left to rot as fishermen rampaged around the market. The protesters staged an angry assault on the squads of CRS riot police who rushed to the scene, pelting them with fish and makeshift missiles.

Despite the government's pleas for calm, a group of militant fishermen at South Finistère vowed to continue their action today. Between 400 and 500 fishermen from the port plan to take to the seas this afternoon to stop cargoes of imported fish from coming into France.

US to press ahead with Bosnian airdrop

Continued from Page 1

allied defence establishments. Aviation experts warned that, if the aircraft were to fly high enough to reduce the risk of groundfire, they would be unable to target their drops accurately.

"You're going to get some material in the hands of good guys, and some of it, maybe most of it, in the hands of the bad guys," said Rear Admiral Eugene Carroll, from the Center for Defence Information, a Washington defence policy research group.

Pentagon officials privately acknowledge that they have themselves put forward this argument, but have been overruled because of the administration's desire to demonstrate support for the Bosnians, having failed to come up with a viable alternative peace plan to that presented by Mr Cyrus Vance and Lord David Owen.

Britain has adopted an ambivalent attitude to the US plan. While formally welcoming it, Mr Douglas Hurd, the UK foreign secretary, yesterday said that the RAF would not participate in an operation to drop relief supplies.

Downing Street described the US plan as "complementary" to British humanitarian aid efforts, using ground convoys. "What is important is that the US is getting into the aid operation in Bosnia," the Foreign Office said.

Yesterday the Bosnian Serb army said it would allow overland convoys to deliver emergency aid to besieged Moslems. A convoy of the UN High Commissioner for Refugees reached Tuzla after being delayed by Serb troops, but Serb fighters yesterday stopped another UNHCR convoy in Podromanija, 38 miles north of the besieged enclave of Gorazde.

Manchester to stage world chess play-off

By Ian Hamilton Fazey and Gillian Tett in London

MANCHESTER yesterday won its battle to stage the next world chess championship between Garry Kasparov, the reigning champion, and Nigel Short, the British challenger, with a bid placed just seven minutes before the deadline.

The city's final offer of SFr2.538m ($1.64m) beat two rival British bids, and one from Santiago de Compostela in Spain. The bookish Short, Britain's first world championship contender, will meet Kasparov, the world's highest ever ranked player, in the city's Royal Exchange Theatre in August.

Manchester, bidding to host the 2000 Olympic Games, will hope to rekindle the excitement generated by the highly publicised 1972 match between Russian Boris Spassky and American Bobby Fischer in Reykjavik in Iceland.

The personalities in the Short-Kasparov clash are likely to match Spassky-Fischer in terms of animosity at least. Short has said the Georgian world champion is overbearing. Kasparov, when asked about the match, replied: "It will be Short and it will be short."

Although Iceland paid just $125,000 in 1972, it believes it reaped a rich reward from the Spassky-Fischer tournament by boosting tourism, and is still enjoying the spin-offs.

"It got us total attention in the media at that time – that is something that was very helpful for us or for any city," said Mr Magnus Oddson, marketing director of the Icelandic tourist board.

"That tournament put Reykjavik on the map. We had all the world's media on our doorstep. That was tremendous exposure," said a spokesman from the Icelandic embassy in London.

Although not the highest bid, Manchester's was the only British bid to conform to the complex sponsorship rules of Fide, the world chess governing body, which stipulate that bids must be unconditional, in Swiss francs and backed by a bank guarantee.

International Management Group and Britain's Channel 4 television offered SFr2.616m but failed to provide a bank guarantor and demanded conditions attached to world TV rights, exclusive daily interviews with the players, the right to stage matches anywhere and decide times of play, and a September start.

The other British bid – from the London Chess Group, a coalition of London based companies co-ordinated by a public relations group – was for $1.5m, but failed to meet Fide's conditions.

Manchester Airport is putting up the money for the successful bid and will be sole sponsor of the championship, which will be named after it. The money has been guaranteed by the Co-operative Bank, which has its headquarters in Manchester.

The matches will run for eight weeks from mid-August. Although Mr Short lives in London, he was born and brought up in Greater Manchester, so will be on home ground.

Brussels threat on aid to UK

Continued from Page 1

policy programme will be replaced by a new seven-year programme.

The Commission has maintained that a significant portion of EC aid to targeted UK regions is leaking out to other local authorities which are not eligible. The UK argued this is merely an accounting difference but pledged greater "transparency".

Yesterday however, in a memorandum before today's Commission discussion on the Ecu141.4bn 1994-99 structural aid programme, the regional policy directorate said "there is no justification for threating Community resources as being there merely to 'reimburse' the national funds which would otherwise have been spent."

THE LEX COLUMN

NatWest's capital risk

National Westminster claims plenty of reasons for feeling comfortable with a tier one capital ratio of only 5.2 per cent. The list is so elaborate that the bank must have given considerable thought to the question of whether it was comfortable in the first place. All the more so since the ratio would be closer to 5 per cent if, unlike Lloyds, it had fully adjusted its capital for lower property values. NatWest could just about get away even with that lower number. But it is close enough to the Bank of England's effective minimum for tier one to raise doubts about its ability to finance higher lending in a recovery.

If necessary, the bank could convert some of last year's sterling bond issue into preference shares. It could issue more such bonds. Or it could switch some of its surplus money market deposits to customer lending. But these adjustments would help only at the margin. NatWest's real gamble is that loan growth will not take off before a reduction in provisions has enabled it to rebuild its capital through retained earnings.

That looks a tall order when someone somewhere will have to put money into the property market to reflate the depressed prices which caused the provisions in the first place. If property prices stabilise, NatWest will at least no longer have to top up old provisions. That will help, but one has to make some optimistic assumptions to pencil in retentions much over £200m for 1993. NatWest is thus walking a tightrope on capital. Having set an uncovered dividend for each of the past four years, it will only have itself to blame if it eventually falls off.

FT-SE Index: 2818.0 (-20.3)

Source: FT Graphite

Unilever

The fashionable view suggests Unilever's shares will languish as investors continue to switch from reliable defensive stocks into more volatile recovery plays. Judging by yesterday's annual results, it would not do to despair too soon.

A particularly strong fourth quarter lifted Unilever's annual pre-tax profits by 13 per cent to £2.03bn. Good financial housekeeping enabled the company to contain costs, drive down debt by one-fifth to £1.2bn, and cut its interest bill from £276m to £148m. But additional sales growth was spurred by a 15 per cent increase in advertising and promotional spending. Twenty two acquisitions, at a cost of some £300m, boosted Unilever's drive into overseas markets. This expansionary momentum should accelerate despite softening markets in mainland Europe. With year-end gearing of just 18 per cent, Unilever can afford to pep up its prospects with sizeable acquisitions.

Unilever's earnings growth may trail the expected market average this year. Yet, on most projections, the company is trading on a sub-market rating. Its shares may therefore prove a good hedge should the UK upturn prove as anaemic as the company suspects it will be. Longer term, Unilever offers visibly good growth prospects although the concentration of European retail power threatens to squeeze its margins. But even here, Unilever's renewed emphasis on brand innovation suggests a determination to defend itself.

SmithKline Beecham

With one fifth of its profits coming from consumer brands such as Ribena and Horlicks, SmithKline Beecham was always likely to fare better than pure pharmaceuticals companies when the market turned. Having roundly outperformed Glaxo over the last year, the rating difference between the two stocks no longer looks such an anomaly. Last year's performance in pharmaceuticals was at least as impressive as its rival. While Glaxo is agonising over a strategy for over-the-counter medicines, SB already has the pieces in place, thanks, not least, to its alliance with Marion Merrell Dow.

Since the US patent of Tagamet, its big selling anti-ulcer drug, expires in May next year the company has good reason to explore new avenues. A strategy for OTC medicines by no means guarantees future earnings growth. The US authorities may never allow anti-ulcer drugs like Tagamet or Glaxo's Zantac to be sold without a prescription. Regardless of President Clinton's initiative on healthcare, though, the pressure on prices in prescription pharmaceuticals looks like getting worse. In that case SB's consumer brands business no longer looks a dead weight.

BPB

Cheek is often quietly admired, but BPB's chutzpah verges on the irritating. Having tapped shareholders for £125m in June 1991, the company cut its interim dividend last November – about as soon as it could without blushing scarlet. At the time the board waived convention and refused to clarify its intentions on the full year payment, settling instead for an upbeat trading statement. Since then the shares have rallied by a third, a rise which made possible yesterday's convertible bond issue on favourable terms. The accompanying reduction in the full year dividend was, of course, in line with the interim cut.

There is nothing technically wrong with this, but bruised shareholders may feel that the BPB board has played the man rather than the ball. It is not as though the profits outlook is sufficiently sparkling for shareholders to assume the dividend will be on the way back up soon. BPB's competitor Knauf still has 50 per cent of its UK capacity lying idle. Any uptick in the UK housing market is unlikely to lead to higher prices, while continental markets continue to deteriorate. Companies in such tight spots should, perhaps, be a little less careless about shareholder sentiment.

Sedgwick

Sedgwick still looks like a company living beyond its means. The halved dividend is covered less than 1.5 times and expenses grew faster than revenue last year. At least the lower payout should stem the cash outflow of the last four years. The company might also argue that expenses can only be cut so far before business volume starts to suffer. But without a sharp upturn in revenue growth, Sedgwick will have little room for manoeuvre. New business initiatives and the drive for consulting income may help, but the big gains will only come from a turn in US underwriting. That looks as distant as ever.

World Weather

		°C	°F			°C	°F			°C	°F
Ajaccio	F	16	60	Boulogne	S	3	37	Frankfurt	F	-2	28
Algiers	C	11	52	Brussels	S	0	32	Geneva	S	0	32
Amsterdam	S	3	37	Budapest	[illegible]	-1	30	Gibraltar	C	15	59
Athens	F	11	52	Buenos Aires	F	25	77	Glasgow	C	8	46
Bahrain	R	18	64	Cairo	S	22	72	Helsinki	C	-3	27
Bangkok	F	33	91	Cape Town	S	30	86	Hong Kong	F	16	61
Barcelona	S	10	50	Caracas	F	28	82	Innsbruck	F	-4	25
Beijing	S	5	41	Casablanca †	C	16	61	Inverness	C	7	45
Beirut	S	19	66	Chicago †	F	-8	18	Islamabad	F	19	66
Belfast	Dr	7	45	Cologne	S	-1	30	Istanbul	R	7	45
Belgrade	C	-4	25	Copenhagen	S	-2	28	Jakarta	R	32	90
Berlin	F	-2	28	Corfu	C	6	43	Johannesburg	F	23	73
Biarritz	F	6	43	Dallas †	S	7	45	Lisbon	S	11	52
Bombay	S	28	82	Dublin	F	10	50	London	F	6	43
Bordeaux	F	5	41	Dubrovnik	S	5	41	Los Angeles †	C	12	54
				Edinburgh	C	8	46	Luxembourg	F	-3	27
				Faro	S	15	59	Madeira	C	17	63
				Florence	F	5	41	Madrid	S	7	45

		°C	°F			°C	°F			°C	°F
Majorca	F	8	46	Oporto	S	12	54	Tenerife	F	19	66
Malaga	C	15	59	Oslo	S	-11	12	Tokyo	C	9	48
Malta	C	10	50	Paris	S	3	37	Toronto †	Sn	-12	10
Manila	F	32	90	Prague	F	-5	23	Tunis	R	9	48
Melbourne	C	14	57	Reykjavik	Sn	-3	26	Valencia	S	9	48
Mexico City	F	28	82	Rhodes	S	14	57	Venice	S	5	41
Miami †	C	19	66	Rio de Janeiro	C	36	97	Vienna	F	-2	28
Milan	S	6	43	Rome	S	6	43	Warsaw	C	-5	23
Montreal †	Sn	-11	12	Salzburg	Sn	-4	25	Washington †	S	-1	30
Moscow	C	-5	23	S'Francisco †	F	11	52	Zurich	F	-3	27
Munich	Sn	-5	23	Seoul	S	-3	27				
Nairobi		–	–	Singapore	F	31	88				
Naples	S	7	45	Stockholm	C	-3	27				
Nassau	C	28	82	Strasbourg	F	-1	30				
New Delhi	S	23	73	Sydney	S	22	72				
New York †	S	0	32	Taipei	R	14	57				
Nice	C	7	45	Tangier	F	16	61				
Nicosia	S	18	64	Tel Aviv	S	19	66				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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Wednesday February 24 1993

INSIDE

Navigation seeks to buy Ebro Agricolas

Compagnie de Navigation Mixte, the diversified French holding group, confirmed its interest in buying Ebro Agricolas, the big Spanish sugar processor, from the Kuwait Investment Office. Opportunities to buy an operation such as Ebro, Spain's largest sugar processor, were rare, the company said. Page 16

Wal-Mart enjoys surging sales

Wal-Mart Stores, the Arkansas-based discount retailer that began as a five-and-dime store and became the nation's largest store chain, announced that sales in the year to end-January jumped 26 per cent to $55.5bn. Page 18

Chinese go for gold

China was the world's largest gold-consuming country last year, according to estimates, probably importing 500 tonnes to satisfy demand from consumers while 35 tonnes of domestic gold production was also absorbed. Page 24

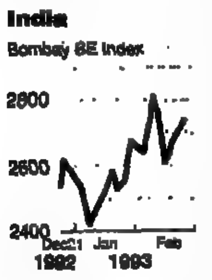
BPB shares fall on dividend cut

Shares in BPB Industries, Europe's biggest plasterboard manufacturer, fell sharply after the company revealed plans to cut dividends by a third, reducing the company's stock market value by more than £84m ($119m). The forecast accompanied BPB's announcement of a euroconvertible bond. Pages 22, 18; Lex, Page 14

SmithKline advances 11%

SmithKline Beecham, the Anglo-American drugs and consumer products group, reported an 11 per cent rise in full-year pre-tax profits to £1.12bn on turnover up 11.4 per cent. Mr Bob Bauman, chief executive, said the results showed the group was well prepared to cope with the increasingly tough pricing environment. Pages 16, 20

Indian equities in confusion



February began with shares in India soaring in the hope that the budget for the fiscal year from April 1 will boost the market. But politics has returned, putting equities into confusion. The mood is balanced between worries about stability and hopes for growth. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Falls			
Bayer	273.9	−	7.8
Bil & Berger	938	−	21.5
Didier-Werke	123	−	7
Heidelb Zem	972	−	28
Holzmann Ph	946	−	24
Rheinelektra	948	−	22

NEW YORK ($)

Rises			
Amgen	44	+	2½
Chiron	47⅛	+	1½
Mylan Labs	27⅜	+	2⅝
Pfizer	58¼	+	2¼
Synergen	15	+	1½
Falls			
RJR Nabisco	7¾	−	¼

PARIS (FFr)

Rises			
Fonc Lyonnaise	626	+	18
Unibail	348.4	+	11.4
Falls			
Cred Lyon (CI)	521	−	11
Legris	188.5	−	8.3
Lyonn Eaux Dum	447	−	12.9
Rhone Poulenc	513	−	17

TOKYO (Yen)

Rises			
Furiya	563	+	37
Takio Electric	254	+	29
Falls			
Komatsu Zenoah	373	−	27
Matsuchi Motor	5080	−	470
Mitsubishi Oil	859	−	26
Toyota Motor	[illegible]	−	16

New York prices at 12.30pm.

LONDON (Pence)

Rises			
Amberley	33	+	10
Amstrad	29	+	4
Anglian Group	302	+	11
Ashtead	187	+	8
Costain	29	+	3
Danka Business	640	+	35
Hammerson A	316	+	12
Lopex	33	+	5
Nurdin	155	+	6
P-E Intl	72	+	6
Tottenham Hotspur	110	+	6
Westm.h Scaff	17	+	3½
Falls			
BAT Inds	926	−	33
BET	88½	−	8½
BPB Inds	217	−	17
Barclays	427½	−	21½
Brit Bio-Tech	461	−	24
Eis	14	−	4
Erskine House	54	−	4
Howden	59	−	4
NatWest Bank	443	−	16
Pittencrieff	341	−	19
Ramco Oil	122	−	8
Wellcome	881	−	29

Handelsbanken's SKr840m loss exceeds forecast

By Christopher Brown-Humes in Stockholm

SVENSKA Handelsbanken has slid to a higher-than-expected 1992 operating loss of SKr840m ($112m) and suspended the dividend on its ordinary shares after lending losses surged 150 per cent to SKr8bn.

The deficit, which compares with a SKr2.78bn profit in 1991, is the first in the group's recent history after a dramatic deterioration in its performance in the final four months of the year.

Nevertheless, the result is substantially better than that of its main competitors. The group said the prospects for 1993 were brighter. It said non-performing loans totalled SKr15.5bn at the year-end, SKr1.5bn lower than at the end of the first eight months; the first indication of a downward trend since Sweden's financial sector crisis began.

Mr Arne Martensson, Handelsbanken's chief executive, reaffirmed that the group would not seek state bail-outs.

The figures confirm that Handelsbanken has the best credit portfolio of the chief Swedish banks, with a proportionally lower exposure to commercial property. Its rival Skandinaviska Enskilda Banken last week posted 1992 credit losses of SKr10.9bn, problem credits of SKr28.8bn and an operating loss of SKr5.3bn.

Handelsbanken's credit losses climbed from only SKr3.2bn in 1991, after doubling to SKr8bn, or 2.8 per cent of total lending, from SKr3.94bn in the final four months. The group blamed the high Swedish interest rates in the autumn and depreciation of the krona. About 60 per cent of the bank's credit losses were connected to property.

Handelsbanken said its result before loan losses rose 20 per cent to SKr7.2bn, helped by increased market share in the corporate and household sectors. That was after a 10 per cent rise in operating income to SKr12.6bn and a 1 per cent fall in operating expenses to SKr5.4bn. Personnel costs were 4 per cent lower at SKr2.74bn.

Handelsbanken's capital adequacy ratio was unchanged at 10.1 per cent at the year-end. Mr Martensson said that would theoretically enable the group to withstand SKr19bn in credit losses and SKr5bn in overall losses during the next two years, before the ratio fell below the international minimum of 8 per cent. He stressed that he expects lower overall credit losses in 1993.

Handelsbanken's B shares fell SKr2.50 to SKr45.50 on the report.

Strong fourth quarter helps Anglo-Dutch group to £2bn profit, writes Guy de Jonquières

Unilever improves 13% despite difficult conditions

UNILEVER, the Anglo-Dutch food and consumer products group, increased pre-tax profits 13 per cent last year to £2.03bn ($3bn), helped by a recovery in North America and a strong performance in Latin America and Asia.

Mr Michael Perry, chairman, said the result, which compared with £1.79bn in 1991, had been achieved in spite of difficult conditions, particularly in the US and Europe. "Economic recovery proved to be an illusion in many of our major markets," he said.

Though the result augured well for this year, it was too early to be confident that the economic environment would be any less harsh. He saw no sign of any improvement in UK trading conditions and did not expect the economy to recover rapidly. However, he hoped for an upturn by the end of the year in Germany after a deeper than expected economic decline.

Unilever's fourth quarter pre-tax profit rose 13 per cent to £522m from £461m on a 5 per cent rise in turnover to £6.37bn (£6.08bn).

Full-year turnover grew 7 per cent to £24.7bn (£33.16bn), and operating margins remained static at 8.6 per cent. Underlying volume growth rose to 2.5 per cent from 1 per cent, though it remained below the group's 4 per cent target.

Mr Perry said that though the sterling devaluation had affected only the fourth quarter, the impact of currency instability was evident in the fact that earnings for the full year grew 9 per cent when measured at constant exchange rates, 12 per cent in sterling, 5 per cent in Dutch guilders and 13 per cent in US dollars.

At constant exchange rates, full year turnover grew 4 per cent and pre-tax profits 11 per cent.

Most of Unilever's consumer products businesses performed well, with a particularly strong showing by personal products and detergents. However, operating profits in meals, meal components and professional markets fell in the year, while speciality chemicals turned in flat results.

Exceptional items helped Unilever's North American businesses to lift operating profits 14.6 per cent but, along with the effects of disposals, produced a flat result in Europe. However, Unilever's underlying performance in Europe proved resilient.

In the rest of the world, the strong growth of a number of regional economies helped the group raise operating profit by 18 per cent, while the loss in Japan was reduced.

Interest costs fell to £148m (£276m), reflecting lower rates and a reduction in debt to £1.2bn from £1.5bn, which lowered gearing to 18 per cent from 28 per cent.

Earnings per share rose 12 per cent to 69.14p (61.62p) in the full year and by 28 per cent to 20.3p (15.8p) in the fourth quarter. The final dividend is raised to 15.6p (13.91p), bringing the full year total to 20.8p (18.94p).

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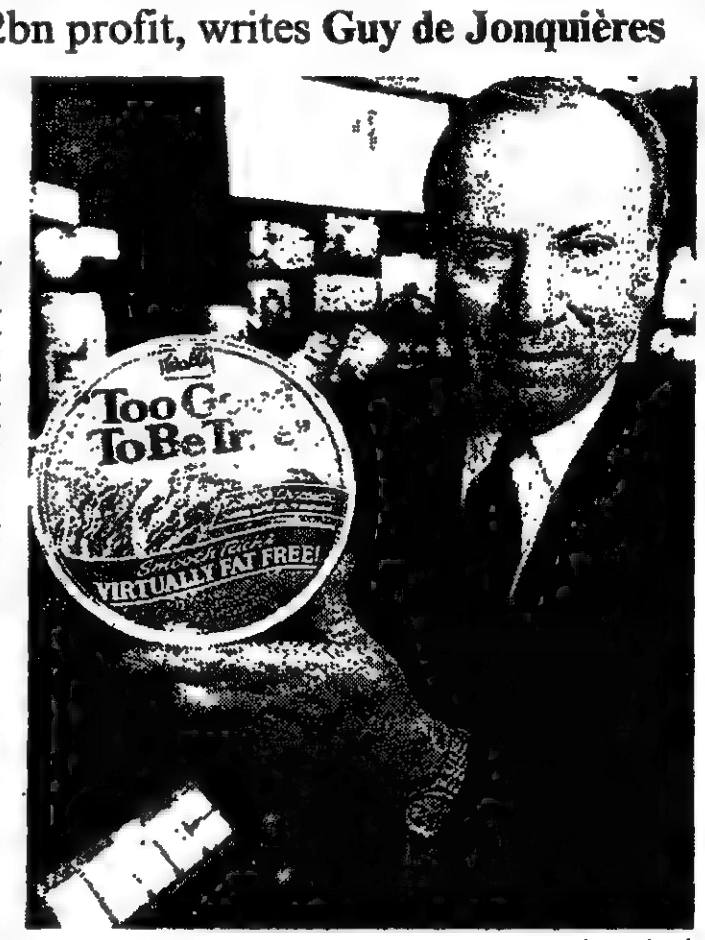
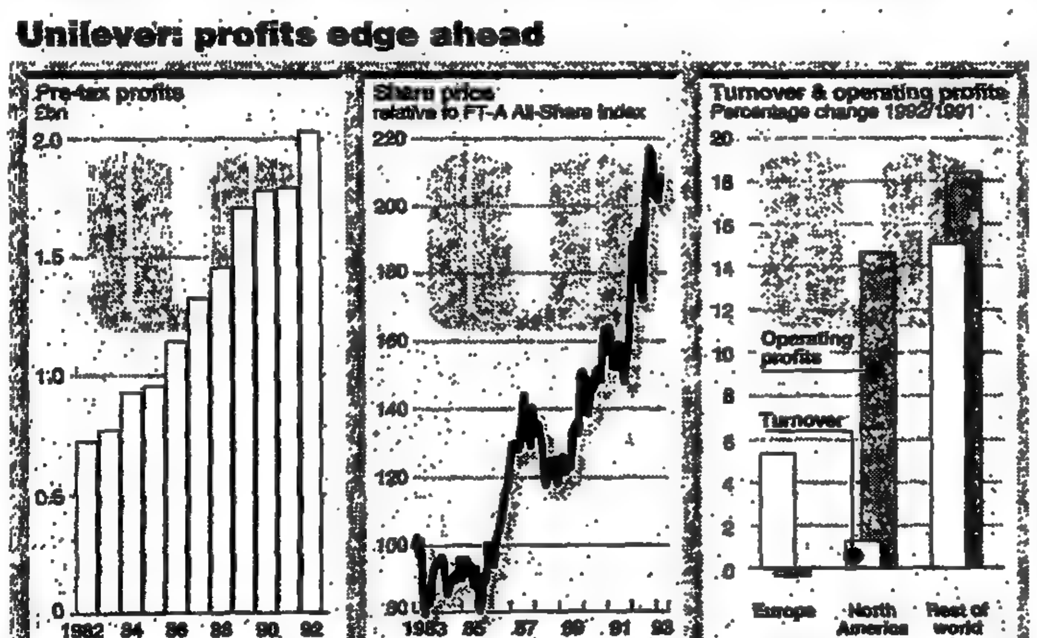


Ashley Ashwood

Lean times: Michael Perry, chairman, does not expect rapid recovery

Unilever: profits edge ahead



Chairman warns against increased trade tensions

MR MICHAEL Perry, Unilever chairman, expressed concern yesterday at the recent rise in transatlantic tensions over trade and warned European Community governments against allowing national self-interest to block completion of the single market.

"Even if there may be a flicker of hope that economic growth might resume sometime in 1993, we are increasingly worried by the unhelpful political trends which are now all too evident," he said. Mr Perry added that resolution of the negotiations on the General Agreement on Tariffs and Trade was long overdue.

Though Unilever, as a strong supporter of free trade, was disturbed by the protectionist noises on both sides of the Atlantic, Mr Perry made clear that he was particularly concerned by the attitude of the Clinton administration.

He singled out for criticism demands in the US to increase the tax burden on the local operations of foreign companies, arguing that such discrimination would damage the world economy. However, he said recent proposals appeared less extreme than those floated during Mr Clinton's presidential campaign.

Philips to strengthen ties with Grundig

By Ronald van de Krol in Amsterdam

PHILIPS, the Dutch electronics company, plans to boost co-operation with Grundig, its 31.6 per cent-owned German affiliate, in a renewed effort to revive both companies' consumer electronics operations.

The Dutch company also said it would consolidate Grundig in its own accounts starting with the 1992 financial year. The move is seen as a signal of Philips' determination to integrate and rationalise loss-making Grundig.

The Dutch company – whose 1992 results on March 4 are expected to show the extent of the difficulties it faces in consumer electronics – said "drastic cost reductions can only be achieved if both companies avoid duplication of efforts, especially in the areas of development and manufacturing".

Philips declined to say what kind of rationalisation it had in mind, although it noted that the two companies had already agreed to combine efforts in production of video cassette recorders and cordless telephones.

Philips said it had no plans for boosting its stake in Grundig and emphasised that Grundig would retain its own corporate identity.

Philips said the consolidation would have no effect on Philips' bottom line when the company publishes 1992 results next week.

However, Philips' shares fell by 3.8 per cent to Fl 22.60 as the Amsterdam stock market focused on the company's statement that it had a long-standing agreement to finance Grundig's losses. Grundig, which posted a loss of DM19m in 1991/92, is expected to lose more than DM200m ($120.4m) in 1992/93.

Nobel sells defence interests in SKr1.55bn deal with Celsius

By Christopher Brown-Humes in Stockholm

SWEDEN'S Nobel Industries is selling its defence electronics activities and related property to state-owned Celsius Industries in a SKr1.55bn ($202.1m) deal which starts the process of broadening the ownership structure in Celsius.

The move came as Nobel's shares were suspended on the Stockholm and Copenhagen bourses pending a separate announcement today.

Nobel will receive SKr325m in shares in Celsius for an approximate stake of 10 per cent, which values the whole of the 100 per cent state-owned defence group at SKr3.25bn. Two weeks ago, the Swedish government lined Celsius up as its next privatisation candidate by saying it wanted to broaden the group's ownership structure and obtain a listing for its shares before the summer.

Celsius is buying NobelTech Systems and NobelTech electronics for SKr755m, and property amounting to SKr800m.

The purchase will strengthen the group's position in the Swedish defence market, giving it an estimated 50 per cent share of the country's defence industry.

Mr Olle Lund, Celsius chairman and chief executive, said: "The acquisition of NobelTech further enhances our position as one of Europe's leading defence industry groups, especially important with respect to export markets." He added: "With its orientation towards high-technology products and systems solutions, NobelTech fits naturally into the Celsius group, in strategic as well as structural terms. It also provides a platform for future international co-operation."

The disposal marks the end of Nobel's involvement in the defence area, allowing it to concentrate on speciality chemicals. The group said it would make a SKr300m capital gain on the deal.

Nobel is majority owned by the state through Securum, a special unit set up to house the problem credits of Nordbanken.

Hence, in the short term at least, the deal does little to assist in the privatisation of Celsius.

NatWest lifts bad debt provisions

By John Gapper, Banking Correspondent

AN UNEXPECTED rise in National Westminster Bank's provisions for possible bad debts last year limited the bank's rise in pre-tax profits to £405m ($588.5m) from £110m the previous year, it was announced yesterday.

The bank's 1 per cent increase in the charge for possible bad debts to £1.9bn (£1.88bn) was mainly caused by a rise in provisions in UK branch business to £1.3bn (£1.2bn). Nearly half the UK provisions were on loans of less than £50,000.

Operating surplus before provisions rose 20 per cent to £2.43bn (£2.03bn). Underlying growth was 16 per cent to £2.36bn, after excluding a "fifth quarter" from the change in year-end of its Lombard credit finance operation.

Lord Alexander, chairman, said provisions on small loans showed the impact of the recession on medium and small-sized businesses. The bank would be "best served in the future by the avoidance of extreme economic cycles".

Strong contributors to profits included foreign exchange trading, which earned £228m (£136m).

NatWest Bancorp, the US retail bank subsidiary, made a profit of £109m (£182m loss) after provisions for bad debts fell to £100m (£327m).

The bank also achieved a 15 per cent rise in non-interest income to £2.93bn, which is now 43 per cent of total income. Commission income rose 11 per cent to £2.29bn (£2.06bn).

The bank made a retained loss of £103m after paying an unchanged final dividend of 11.375p. Its ratio of capital to risk-adjusted assets rose to 9.8 per cent (9.6 per cent), but its tier one ratio weakened to 5.2 per cent (5.5 per cent).

Lord Alexander said a rights issue to strengthen core capital would not be necessary on anticipated asset growth.

Earnings per ordinary share rose to 12p (3p). The bank's net asset value per share fell to 317p (324p). Its shares closed 16p down at 443p.

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French consider bid for Spanish sugar processor

By David Buchan in Paris and Tom Burns in Madrid

COMPAGNIE de Navigation Mixte, the diversified French holding group, yesterday confirmed its interest in buying Ebro Agricolas, the big Spanish sugar processor from the Kuwait Investment Office (KIO).

"We cannot but be interested in what happens to Ebro," a Navigation Mixte spokesman said. Opportunities to buy an operation like Ebro, which is Spain's largest sugar processor, did not occur regularly in the sugar business in which the French holding company is already involved, he added.

Mr Marc Fournier, Navigation Mixte's president, has said he is actively examining a possible purchase of Ebro, but has admitted difficulties about with whom to negotiate.

These difficulties arise, the Navigation Mixte spokesman explained yesterday, partly because Ebro shares have been used to guarantee bank credits to Torras, the KIO's Spanish investment company, which has gone into receivership.

Though it has minority stakes in some companies, "we generally like to be the majority shareholder", said the Navigation Mixte spokesman.

In Madrid, the government has warned that it would disapprove of the sale by the KIO of its 36 per cent holding in Ebro Agricolas, the domestic foods company, to another foreign group.

Ebro controls an estimated 62 per cent of the Spanish sugar market and is supplied by some 30,000 sugar beet farmers. "We want a Spanish interest to control Ebro," a Ministry of Agriculture spokeswoman said. "A non-Spanish acquisition worries us very much."

The government's concern came amid reports that European conglomerates were preparing to take positions in Ebro following a decision by the KIO last month to award a mandate to Credit Suisse First Boston for the sale.

SmithKline Beecham up 11% as sales climb

By Paul Abrahams in London

SMITHKLINE BEECHAM, the Anglo-US drugs and consumer products group, yesterday reported full-year pre-tax profits for the year to December 31 up 11 per cent to £1.12bn.

The results were achieved on turnover up 11.4 per cent to £5.22bn. Mr Bob Bauman, chief executive, said they showed the group was well prepared to cope with the tough pricing environment for drugs in the US and elsewhere.

Sales of Tagamet, the ulcer drug and SB's best-selling drug, fell from £620m to £614m. The drug's sales will be affected by the expiry of US patents in May next year. Mr Bauman predicted Tagamet would represent only 10 per cent of group sales by 1994; over the next two years, US sales would fall by not more than 50 per cent.

Pharmaceuticals operating profits rose 9 per cent to £758m on turnover up 17 per cent at £2.89bn. Underlying sales growth – excluding currencies – was 15 per cent.

Consumer brands' trading profits rose 5 per cent to £244m on turnover up 2 per cent at £1.38bn. Animal health trading profits fell 2 per cent to £62m. Clinical Laboratories reported profits up 14 per cent to £77m. Net debt fell from £502m to £392m.

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Nestlé bows to EC over terms of Perrier deal

By Guy de Jonquières, Consumer Industries Editor

NESTLE, the Swiss foods group, has bowed to pressure from the European Commission and renegotiated the proposed sale of part of the assets of Groupe Perrier in an effort to win EC approval for its takeover of the French mineral water producer.

Under an agreement announced yesterday, Nestlé will sell Perrier's Pierval brand to Castel, a French beverage company, in addition to the other Perrier brands and springs which Castel agreed two weeks ago to purchase for up to FFr750m ($136m).

Castel, which owns the Nicolas wine business, had previously said it was not interested in buying Pierval because it did not fit in with its existing mineral water range.

However, Nestlé said yesterday that competition authorities in Brussels had refused to approve the earlier deal with Castel unless it included Pierval.

Pierval was among the Perrier brands which the commission last year ordered Nestlé to sell to a single buyer in an attempt to establish a "third force" which would compete with the Swiss group and BSN, France's biggest food company, on the French mineral water market.

Until Nestlé complies with the order, it may not carry out a separate agreement reached during last year's takeover battle to sell Volvic, another Perrier mineral water brand, to BSN.

Nestlé and Castel would not disclose the price of the Pierval sale, but expressed confidence that it would enable them to comply fully with the terms of the EC order. A spokesman for the commission said it could not comment until it had been formally notified of the latest agreement.

Fault line splits Spanish banking sector

Tom Burns examines the results that have produced two tiers in performance terms

Mr Emilio Ybarra, chairman of BBV: "Last year was the most difficult year in the last 10." Banco Popular annual report: "The shock wave of change has pervaded these 10 years, radically transforming . . . the very content of the banking business." Mr Emilio Botin, chairman of Banco Santander: "1992 has perhaps been the most difficult year since 1982."

SPAIN'S bank chairmen seem to have hired the same speechwriter. In unison, they have in recent days complained of diminishing business, of rising non-performing loans and of high interest rates.

Taken together, the net profits of the top six domestic banks fell by more than 7 per cent last year. This was the first annual fall in the accumulated income of the sector's first tier group. It was also a sobering turnaround from the 50 per cent rise in joint profits that the big banks registered in 1988, at the peak of the sector's growth.

The 1992 results would have been considerably worse had not the Bank of Spain decided in December to reduce its reserve requirement from 4.5 per cent to 3 per cent. The move freed some $6bn of deposits that had been trapped, interest free, with the central bank.

But while profitability has been squeezed, some institutions are resisting the pressure considerably better than others.

The 1992 results starkly illustrate a fault line that for the time being has split the sector down the middle. Three banks – Argentaria, the state-owned banking corporation, Banco Santander and Banco Popular – reported increased profits, albeit less spectacular ones than in the past. The other three – BBV, Banco Central Hispanoamericano (BCH) and Banesto – posted lowered profits.

This division is new to the Spanish banks. Mr Francisco Luzon, Argentaria's chairman, says that in the recent past bank results "were as alike as two drops of water". Those similarities reflected tight regulations, such as reserve requirements, as well as an understanding among the banks to respect each others' business.

The cosy arrangement within the sector, which was cemented by periodic lunches among the big bank chairmen, collapsed when Santander launched an aggressive deposit war in 1989 and began to lure customers away from its rivals by offering high interest bearing accounts.

Mr Luis Valls, co-chairman of Banco Popular, and the sole surviving bank president from those quasi-cartel days, says the present slump is not unlike the one at the start of the 1980s when the economy ground to a halt and bad debts rose dramatically. "The difference," says Mr Valls, "is that then we all came out of the banking crisis in step and now our starting positions are quite different."

SPAIN'S TOP BANKS
Net consolidated profits (Pta bn)

	1992	% change
BCH	*60.0	-17.18
BBV	81.1	-19.86
Banesto	45.6	-27.06
Santander	66.1	11.60
Popular	54.8	9.62
Argentaria	67.4	14.[illegible]

* Estimate. Source: Expansion

Popular, a well-managed bank, can claim to have a head start. A cautious risk-taker which is strongly positioned among high net worth domestic corporates and individuals, it has steadily raised its net income return from 1.65 per cent in 1988 to 2.12 per cent last year. Popular, half of whose equity is owned by foreign institutions, has recently begun to lend to blue chip international companies.

Santander, another profitable performer with a net income return of 1.1 per cent, has the advantage of a strong international position. Mr Emilio Botin, its chairman, has little doubt that margins will remain tight in Spain – non-performing loans are expected to increase this year – and his mid-term strategy is to raise the current 33 per cent income that the Santander group earns abroad to 50 per cent.

Mr Botin is likely to exercise warrants in the course of this year that will lift a 16.5 per cent stake that Santander holds in First Fidelity Bancorporation of the US to 23 per cent. This development will strengthen the Spanish bank's already sound balance sheet by permitting the New Jersey-based bank to consolidate within the Santander group.

Argentaria's 1992 rise in profits could be deceptive for the banking group, which is the fruit of a 1991 merger that pooled five state-controlled banks, and the year-on-year results are not strictly comparable.

Mr Luzon, its chairman, however, sees room for increased profitability as duplication is eliminated although he is concerned about the punitive effect of high interest rates.

Popular and Santander, which are highly liquid and are net lenders on the interbank market, have no problems with the high interest rates. The rest of the sector is less happy with a benchmark intervention rate currently standing at 13 per cent. "The evolution of the rates will determine whether the bank results this year are good or not," says Mr Luzon, who plans to place up to 25 per cent of Argentaria on the market this year in a partial privatisation.

Those banks whose results were not good last year, blamed their tumbling net profits on the low income earned from disposals. Extraordinary income was down by 76 per cent at Banesto and by 48 per cent at BBV, but both banks posted strong improvements in their operating margin.

Mr Emilio Ybarra, BBV's chairman, claims the proof of his bank's recovered momentum was the 1.25 per cent increase it reported in its market share of customer deposits. "Today's market quota is tomorrow's profits," he said. Banesto's Mr Mario Conde received a boost of another kind when an international investment fund led by J.P. Morgan, the US investment bank, announced recently that it would spend $200m in a forthcoming $452m Banesto rights issue.

Further sharp fall at Mannesmann

By Christopher Parkes in Frankfurt

MANNESMANN, the German engineering conglomerate, suffered a further sharp fall in profits last year, in spite of a 15 per cent increase in sales to DM28bn ($17bn).

The company, which is expected to produce full figures in May, yesterday blamed the decline on recession, launch costs for its mobile telephone network, and heavy extraordinary costs for restructuring.

Net profits in 1991 were DM625m, down from DM1bn a year earlier.

The steel tubes, trading and vehicle components divisions all incurred losses, while the engineering and plant businesses produced "clearly positive returns". The Brazilian subsidiary returned to profit after two years of deficit, and earnings from electrical and electronic engineering were unchanged.

Overall order intake rose 9 per cent to DM27.7bn thanks to the consolidation of newly-acquired businesses. On a like-for-like basis, new contracts fell 7 per cent.

Half of the DM6.4bn in new orders won by the vehicle components business stemmed from the new VDO and Boge subsidiaries. While business was relatively brisk in the first half of the year, these businesses were hit in the second half by the sharp downturn in the German automobile industry.

Tubes, in which Mannesmann has recently announced a series of international co-operation agreements, saw new business slump by 21 per cent to DM4bn.

The group's new D2 mobile telephone business has already signed up 100,000 subscribers and made sales of DM121m.

Dassault electronics unit sees return to the black

By David Buchan in Paris

THE ELECTRONICS arm of the Dassault group believes it will return to profit this year on a rising trend of military exports, including its share in providing on-board computers for the 400 Leclerc tanks that France is selling to the United Arab Emirates.

Dassault Electronique made a consolidated loss of FFr250m ($45m) last year, largely as a result of paying for redundancies announced last summer.

The company, which also makes automatic banking machines, forecast that its turnover would not change substantially over the next two years from its 1992 level of FFr3.87bn. However, after that time lag, its turnover would reflect the increase in orders.

These orders would rise from FFr4.05bn last year to FFr5.5bn this year, the group forecast. At the end of last year, the company's order book stood was worth FFr7.75bn.

Stronger sales push Wal-Mart profits up 24%

By Nikki Tait in New York

WAL-MART Stores, the Arkansas-based discount retailer which grew from one five-and-dime store to become the nation's largest store chain, yesterday announced that sales in the year to end-January jumped by 26 per cent, to $55.5bn.

Pre-tax profits rose at a roughly similar rate – up by 24 per cent from $2.55bn to $3.17bn.

At the after-tax level, the 1992-3 figure was $1.99bn, compared with $1.61bn in the previous year, and earnings per share (after a stock split) rose from 70 cents to 87 cents.

Wal-Mart's annual results came after a strong final quarter, during which sales increased from $13.6bn to $17.1bn, and pre-tax profits rose from $956.2m to $1.19bn.

After-tax profits were $749.6m, against $602.4m in the same period of the previous year.

Wal-Mart's strong sales and profits increase partly reflect the rapid expansion of the store chain – which now encompasses 1,880 discount stores and 256 Sam's Clubs.

A year earlier, there were 1,720 Wal-Mart Stores and 208 wholesale clubs. However, Mr David Glass, Wal-Mart's chief executive, also noted that "same-store" sales growth – the increase in sales from stores which have been open for more than a year – also ran at a rate of 11 per cent for the year overall.

Meanwhile, May Department Stores, one of the nation's largest department store groups and also the owner of the Payless ShoeSource chain, reported final-quarter profits of $513m before tax, up from $406m in the same period of 1991-2.

May's sales in the three months to January 30 rose from $3.08bn to $3.39bn, while after-tax profits increased from $266m to $319m.

The fourth-quarter results left May posting net profits of 603m for the year, compared with $515m.

Annual sales were up from $8.15bn to $8.68bn. The St Louis-based company said that it was pleased with the results, given what it described as the "difficult economy".

Sharp fall in demand sees Deere loss deepen

By Laurie Morse in Chicago

A SHARP fall in agricultural machinery sales resulted in the first-quarter loss at Illinois-based Deere deepening to $27.6m, or 36 cents a share.

In the same period last year, the farm equipment manufacturer with worldwide interests suffered a loss of $19.9m or 26 cents.

Deere also saw worldwide sales drop, to $1.424bn, from $1.452bn in the first quarter of last year.

As in the first quarter of 1992, Deere instituted a series of factory shutdowns in an attempt to cut receivables at its equipment dealerships. The shutdowns contributed to weak profits. The combination of reduced production and higher first-quarter retail sales helped Deere dealers to cut receivables by $186m during the quarter.

While Deere sold fewer pieces of equipment to its dealers, the dealers themselves reported significantly higher retail sales in North America.

However, the company said demand remained very weak for agricultural equipment in western Europe, and its worldwide equipment operations recorded a net loss of $68.9m, compared with a $46.5m loss a year ago.

Deere's financial services and North American lawn and grounds care equipment business improved, with each posting revenue growth in the quarter.

Hans Becherer: planning production increases

"First-quarter North American retail sales levels improved over last year, and provide a good base for the remainder of the year," said Mr Hans Becherer, Deere chairman. But he added that industry retail sales of agricultural equipment in Europe "are expected to continue downward. European agricultural continues to experience a fundamental change which will likely result in lower income to farmers and reduced crop production in 1993, putting further pressure on our overseas operations results."

Mr Becherer said Deere planned selective increases in its production schedules in 1993, with worldwide production tonnage set about 5 per cent higher than actual 1992 output. The production increases are set for North American agricultural machinery and lawn and grounds care equipment.

Hyundai abandons its political detour

John Burton reports that South Korea's giant has survived Chung Ju-yung's ambitions

WHEN Hyundai recently selected its corporate slogan for 1993, it went for "The releap year". The phrase signifies that South Korea's largest conglomerate is hoping to make a fresh start after a year of turmoil.

The group's problems were caused by the political activities of Mr Chung Ju-yung, the Hyundai founder. His unprecedented attempt to involve business directly in politics by standing as a presidential candidate displeased the government, which applied sanctions against Hyundai.

But Mr Chung's defeat in the December elections, and his withdrawal from politics, has relieved the pressure on Hyundai. "We hope that relations between Hyundai and the government will be normalised this year," said Mr Park Il-kwon, Hyundai's spokesman.

Hyundai executives are now assessing the damage inflicted on the group last year. Penalties included credit squeezes and tax penalties imposed by the government.

Group sales among its 41 subsidiaries totalled Won42,000bn ($52.7bn), slightly below the 1992 goal of Won44,000bn, but a 16 per cent rise from turnover of Won36,000bn in 1991. Hyundai has set a sales target of Won50,000bn for 1993.

Estimated earnings declined for at least half of Hyundai's 18 listed companies. But this reflected mainly sluggish growth in the domestic economy and weaker demand abroad – factors that also affected other Korean conglomerates.

Chung Ju-yung: his political exit has relieved the pressure

Although Hyundai officials last year claimed that credit sanctions were hampering investment in such key industrial sectors as motor vehicles and semiconductors, they now admit they exaggerated the problem to persuade the government to be lenient.

"What last year's events revealed was the strength of the group. It had the resources to survive," said Mr John Wadle, an analyst with Barclay de Zoete Wedd in Seoul.

Other observers believe that Mr Chung created as much trouble for Hyundai as the government. "Many of Hyundai's problems were its own fault. They had their eye off the ball," explained one analyst.

Mr Chung recruited Hyundai executives to work full-time for his political party, which caused the disruption of business operations.

The problem was exacerbated during the waning days of the presidential campaign when Hyundai employees were asked to canvass for Mr Chung. This caused sales to drop for Hyundai companies in December. The Bank of Korea blamed the sluggish activity at Hyundai for a fall in the nation's exports that month.

For example, the domestic market share of Hyundai Motor, the country's biggest vehicle manufacturer, fell to 38.6 per cent in December, as car dealers campaigned for Mr Chung. Its market share rebounded to 54 per cent in January.

Earnings for Hyundai Motor, the biggest industrial subsidiary in the group with sales of Won6,080bn, consequently fell to Won40bn for the year, against Won54bn in 1991, instead of rising as had been predicted.

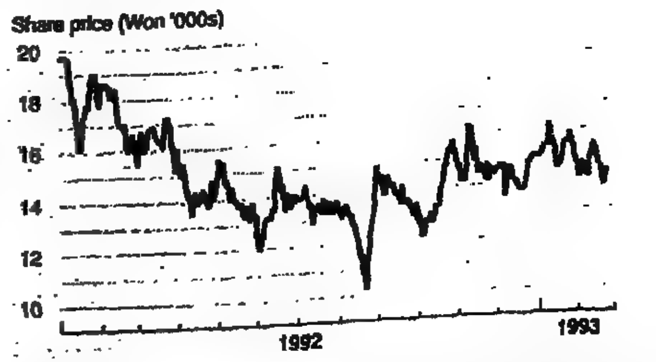
The operating profit for Hyundai Motor Service, the auto sales organisation, was also halved.

The question surrounding Hyundai is how soon business activity will return to normal. Although Hyundai managers involved in Mr Chung's campaign returned to the group after the election, some are in hiding for alleged election law violations.

They include Mr Choi Soo-il, the president of Hyundai Heavy Industries, the group's shipbuilding subsidiary, the most profitable unit with estimated earnings of Won260bn in 1992 on sales of Won2,500bn. His absence coincides with declining orders for the company.

Hyundai Corp

Share price (Won '000s)



Source: Datastream

"The fate of these executives will having a lingering effect on Hyundai," explained Mr Stephen Marvin, research director for Jardine Fleming in Seoul.

"Hyundai is an autocratic organisation, and any paralysis at the top affects overall management. When the generals are gone, the foot soldiers don't know what to do because mid-level management is weak."

Hyundai officials admit that Mr Chung's defeat, the arrest of executives and other adverse publicity about Hyundai has caused morale problems among the group's 170,000 workers.

But they hope that spirits will rise soon as the departure of Mr Chung from politics leads to an expected easing of official pressure on Hyundai.

The new government of President Kim Young-Sam wants to revive the flagging economy. Further attacks on Hyundai would harm that effort since the group plays a central role in the Korean economy.

Indeed, the government continued to provide business to Hyundai during its clash with Mr Chung last year

Hyundai Engineering and Construction, the group's flagship company, won the tender for the first phase of a project to build a new international airport in the Seoul area. The construction company, the largest in Korea, is expected to report a 14 per cent rise in sales to Won3,200bn for 1992, while net profits will be around Won25bn.

The possibility that the 77-year-old Mr Chung will play a less active role in Hyundai management, together with his recent sale of shareholdings in the group to pay for election expenses, might mollify the government.

Mounting loan losses hit Bank of Montreal

By Bernard Simon in Toronto

A FURTHER climb in loan losses caused Bank of Montreal's first-quarter earnings to dip by 5 per cent, despite strong growth in mortgage and commercial loans.

Earnings dropped C$155m (US$124m), or C$1.12 a share, in the three months to January 31, from C$164m, or C$1.23 a share, a year earlier. Return on common equity fell to 12.5 per cent from 15.1 per cent.

Net interest income climbed to C$764m from C$744m, helped by the receipt of C$29m in overdue interest from Brazil. But this improvement was offset by a 30 per cent jump in loan loss provisions to C$162m.

The bank said it expected loan losses for fiscal 1993 as a whole to total C$650m, up from C$550m last year and almost double the figure for 1991.

The latest figure includes a general provision of C$100m for hitherto unidentified losses.

The sharp increase in bad debt provisions was blamed on the general weakness of the North American economy, especially the real estate market. Non-performing loans stood at C$2.3bn on January 31, up C$126m from three months earlier.

First-quarter lending was boosted by strong growth in residential mortgages and loans to small and mid-sized businesses in Canada, and to large corporate customers in the US.

Harris Bankcorp, Bank of Montreal's Chicago-based subsidiary, posted a 10 per cent rise in net income. But earnings at Nesbitt Thomson, its Canadian securities arm, tumbled to C$2.3m from C$4m.

The bank ascribed the slump in Nesbitt's earnings to a fall-off in equities trading activity during the quarter.

Bank of Montreal, with assets of C$106.2bn, is the first of Canada's big six banks to report earnings for what analysts expect has been a lacklustre quarter.

Air Canada seeks 5% pay cuts for two years

By Robert Gibbens in Montreal

AIR CANADA has asked all its employees to take a 5 per cent pay cut for two years and receive "share appreciation rights" to compensate.

The company's payroll is 19,000, down 3,000 since 1990, and the pay cut would save about C$100m (US$80m) over the two years.

Mr Hollis Harris, Air Canada president, said the airline would make a small operating profit in 1993 and post a final loss, including special charges, of about C$200m. Its immediate objective was to reverse the 1992 decline in yields.

He appealed directly to all operating and maintenance employees over the proposed pay cut.

But the appeal was immediately rejected by the three biggest unions, which said they had already accepted a one-year freeze.

Under share-appreciation rights, employees would receive Air Canada stock according to the amount of an individual's pay reduction. The hope would be that the value of the stock would rise as the company recovered.

Mr Harris said senior staff would take the 5 per cent cut and he himself would accept a 10 per cent cut.

Air Canada, which last Friday disclosed a C$454m final loss for 1992 after restructuring charges, plans to reduce domestic capacity by 10 per cent this year while increasing international capacity.

The airline is delaying 1993-94 delivery of six Boeing 767-300 aircraft worth C$700m until 1996-97, and is selling its last Boeing 727s.

It hopes to complete sale-and-leaseback deals for three new 747-400s and five Airbus A320s to free nearly C$1bn in cash.

Mr Harris said that Air Canada was ready to restart talks for a merger with Canadian Airlines if its parent, PWA, failed to sign an ownership and operating pact with American Airlines.

● Andres Soriano, one of three Philippine family-controlled groups which set up PR Holdings, a consortium to take a 67 per cent stake in Philippine Airlines (PAL), has sold its 5 per cent stake in the consortium, Reuter reports from Manila.

The sale means the loss of a key ally for Mr Antonio Cojuangco, the embattled PAL chairman. Mr Cojuangco and Mr Lucio Tan, a Chinese-Filipino businessman, have been embroiled in a boardroom tussle for control of PAL. Soriano did not reveal the purchaser of the stake but said it was not Mr Tan.

Nordstrom profits at $50m despite charge

By Nikki Tait

NORDSTROM, the Seattle-based retailer, lifted after-tax profits to $49.96m in the final three months to end-January.

The results were scored on a 9.3 per cent improvement in sales, at $1.07bn, and compared with a net profit of $40.86m in the corresponding period of 1991-92.

The 1992-93 results would have been slightly higher, had it not been for a $4m charge related to the payment of plaintiffs' legal fees in Nordstrom's recent settlement of a labour class action lawsuit.

As with most retailers, the fourth quarter is the most crucial in the trading year.

Morgan Stanley sees 1992 income up 7%

By Martin Dickson in New York

MORGAN Stanley, the New York investment bank, yesterday reported a 7 per cent increase in net income for both the fourth quarter and 1992 as a whole.

Net income in the fourth quarter to January 31 totalled $141.8m, or $1.68 a share, on revenues of $695.6m, compared with $132.3m, or $1.61 a share, in the quarter to the end of December 1991, when revenues totalled $716.6m.

At a pre-tax level, income dipped from $206m to $194.8m, but the net figure was helped by a sharply lower provision for tax ($52.9m, against $73.6m), due mainly to lower derivatives revenues from Tokyo.

Investment banking revenues dipped from $252.3m in the 1991 quarter to $227.9m, while trading revenues dropped from $246.3m to $155.9m.

Revenues from investments rose from $14.3m to $33.7m, and commissions were up from $73.9m to $81.7m. Interest and dividends rose from $1.15bn to $1.24bn, while interest expense was up from $1.07bn to $1.1bn.

Expenses excluding interest were held to $500.8m, down from $510.6m.

For the full year, Morgan Stanley reported net income of $510.5m, or $5.90 a share, compared with $475.1m, or $5.93 a share, in 1991. Net revenues were $3.02bn, as against $2.86bn.

Mr Richard Fisher, the chairman, and Mr Robert Greenhill, president, said investment banking revenues continued to improve during 1992, with increased debt and equity underwriting volumes offsetting weakness in financial advisory services.

Secondary revenues – trading, commissions and net interest – declined 7 per cent, with record results in foreign exchange offset by declines in equity derivatives and commodities.

AT&T to take $400m stake in McCaw

AMERICAN Telephone & Telegraph is to buy 14.5m shares in McCaw Cellular Communications as part of a previous agreement that will ultimately give AT&T one-third of McCaw's shares, AP-DJ reports from New York.

AT&T will buy the newly-issued Class A shares of McCaw for $27.625 each, for a total of about $400m. The purchase provides an up-front cash infusion for debt-heavy McCaw.

The investment is being made under a previous commitment exercisable by McCaw while the two companies work toward a definitive agreement for AT&T's stake in McCaw.

Yesterday's purchase also gives AT&T the right to name one director on McCaw's board. The purchase is separate from the broad strategic alliance the two companies announced last November.

At the time, AT&T said it would buy a total of 47.6m shares at an average price of $42 a share, for a total of about $2bn. AT&T also plans to purchase British Telecom's stake in McCaw for about $1.8bn, bringing its total investment in McCaw to $3.8bn for the one-third stake.

AT&T and McCaw said the larger transaction was still being negotiated, and there were no assurances that a final agreement will be reached.

● Coca-Cola, the US soft drinks group, and Coca-Cola Enterprises have begun talks on opportunities for the latter to become a bottler in international markets.

Coca-Cola Enterprises distributes about 53 per cent of Coca-Cola's US bottle and can volume and is 44 per cent owned by the Coca-Cola.

Coca-Cola was not immediately available for comment. Coca-Cola Enterprises, which handles the domestic bottling market, said that it was excited at the growth potential in the international market-place.

Coca-Cola Enterprises said the chairman, Mr Donald Keough, would retire on April 20, one day after the company's annual meeting.

Mr M. Douglas Ivester, senior vice-president of Coca-Cola Co, has been nominated for election through the proxy process to Coca-Cola Enterprises' board.

KOP plans to raise FM3bn in overhaul

By Christopher Brown-Humes in Stockholm

KANSALLIS-Osake-Pankki, Finland's leading commercial bank, has announced plans to raise nearly FM3bn ($511m) to enable it to avoid for the moment having to call for direct state support.

The money will be raised through a rights issue and a debt issued in the domestic and international markets. The issues are part of a broader overhaul which will include a bonus issue and a reduction in the nominal value of the bank's shares to FM10 from FM20.

The exercise is designed to keep the bank's international capital adequacy ratio at 9 to 10 per cent in 1993 and 1994, when it will face further heavy losses.

"This is an opportunity for our shareholders to take a stand in favour of private share ownership," said Mr Pertti Voutilainen, KOP chairman and chief executive. "Our aim is to do everything possible to avoid resorting to government support."

Halving the value of the group's shares will release FM1.86bn to meet future losses. However, the group's share capital will be restored to its original level through one-for-two bonus and rights issues, which will each amount to FM930m.

The plan is to launch the rights issue at the end of March, without a government guarantee. Any rights not taken up will be offered to new shareholders.

The bank says most shareholders have responded positively to the scheme.

In the next stage, the group will seek to raise FM2bn in tier 2 capital through the domestic and international debt markets.

Mr Teppo Taberman, executive vice-president, said the bank aimed to launch at least four issues in late 1993 and early 1994, with the international issues on the European and US markets being guaranteed by the government.

The group said it expected its 1993 result to be "distinctly better" than 1992's FM3.7bn loss. But the group does not expect to return to profit until 1995.

TDK records sharp third-term decline

By Emiko Terazono in Tokyo

TDK, the Japanese magnetic tape maker, posted a sharp fall in consolidated profits for the three months to December owing to tough competition in both audio and video tape markets.

The company said lower profit margins and the audio slump hurt third-quarter earnings. Pre-tax profits for the quarter plunged 32.3 per cent to Y9.4bn ($80.8m) on a 2.8 per cent fall in sales to Y136.5bn. After-tax profits fell 22.3 per cent to Y5bn.

TDK said sales of floppy discs rose in tandem with the widening of personal computer ownership. But sales of audio and video tapes fell 5 per cent to Y47.1m.

Domestic sales fell 8.2 per cent due to the sluggish Japanese economy. But sales overseas rose 2.9 per cent to Y70.2bn, accounting for 51.5 per cent of sales, on higher US demand for semiconductors and an increase in magnetic head sales in Hong Kong.

For the nine months to December, TDK's consolidated pre-tax profits fell 33.7 per cent to Y27.6bn on a 2.4 per cent decline in sales to Y402.6bn.

SA synthetic fuel producer ahead 9% in tough market

By Philip Gawith in Johannesburg

SASOL, the South African synthetic fuel and chemicals producer, overcame difficult trading conditions to lift attributable profits by 9 per cent to R584m ($194m) in the six months to December 25.

Turnover rose to R4.08bn from R3.96bn, but tighter margins saw operating income fall by 5.4 per cent to R822.3m from R868.8m.

Lower interest payments of R64.1m, against R119.4m, and a lower tax charge of R158.7m, compared with R208.7m, helped increase attributable earnings.

The company said the operating environment had been "extremely depressed", with the prices of chemical products declining and lower refining margins.

Mr Russell Kennedy, general manager, said that, in a trading environment where prices were flat or falling, the only option before the group was to control costs and stabilise production at the highest possible level. Sasol had, therefore, embarked on an extensive cost-cutting campaign. Its benefits would be apparent for a number of years.

Mr Kennedy said conditions in export markets had been worse than in South Africa. Although export volumes had been maintained, prices had in some cases been lower.

Earnings per share rose by 4.7 per cent to 99 cents, and the dividend was lifted by 4.1 per cent to 38 cents.

The company anticipates profit growth for the full year, in line with levels achieved for the first half.

AECI to build R300m lysine biotechnology plant

By Philip Gawith

AECI, South Africa's largest chemicals group, is to build a R300m ($96m) plant producing lysine, an amino acid used in pig and poultry feed.

AECI wants to shift away from commodity chemicals towards higher value-added chemical products and the biotechnology market.

AECI's heavy exposure to commodity chemicals has hit it hard over the past three years. Earnings have nearly halved since 1989. Last week, AECI, in which ICI, of the UK, has a 38 per cent stake, reported a 12 per cent drop in attributable earnings for 1992, down to R164m.

The plant, to be built at AECI's Umbogontwini factory south of Durban, will produce 11,000 tonnes of lysine a year.

Start-up is due for 1995. The plant's main raw material will be 30,000 tonnes a year of sugar. The world market for lysine is about 165,000 tonnes a year.

Rate cuts give new impetus to market in convertible sterling bonds

By Richard Waters

THE opening of the market in Euroconvertible sterling bonds was given further impetus yesterday as BPB Industries, the UK building materials group, brought the third issue the market has seen in three weeks.

This formerly quiet corner of the international capital markets is widely expected to become a focus of attention in the weeks ahead, with speculation rife that more prominent companies, ranging from National Westminster Bank to British Airways, may prefer to raise money through convertibles rather than an issue of straight equity.

Two factors explain the renewed interest in sterling convertibles.

One is the fall in long-term UK interest rates: 10-year gilt yields were at 7.8 per cent yesterday, 50 basis points lower than a month ago.

Such rates are low by historical standards, tempting corporate treasurers back into the sterling bond markets. BPB's £64m, 15-year issue – which is redeemable after five years – carries a coupon of 7¼ per cent, while the coupon on Northern Foods's £91m convertible was 6¾ per cent and Sun Alliance's £155m of bonds paid 7¼ per cent.

The relative steepness of the UK yield curve helps to explain why such yields look attractive to investors.

With UK base rates down to 6 per cent, and widely expected to fall further, funds geared to paying investors a high level of income are in search of higher-yielding products. An instrument with a 7¼ per cent coupon and the chance to convert into equity looks attractive in such circumstances.

The second factor explaining the sudden appeal of convertibles is the good run that equity prices have had in recent months.

That has pushed down equity yields, again tempting investors to switch into higher-yielding instruments. BPB's shares had risen from a low of 123p last September to 234p yesterday morning, pushing the yield down to around 4.5 per cent.

The pick-up offered by the convertibles, and the chance to lock in some of the recent equity gains, encouraged BPB shareholders to switch yesterday into the new instruments. The company's share price fell to 217p at the close.

The latest batch of issues is generally seen by convertibles experts as expensive for investors, reflecting the shortage of such bonds and the growing demand for higher yields.

As a rough guide, according to one, investors look for a coupon at least 3 per cent higher than the yield on the underlying shares, with a conversion price set at 16 to 18 per cent above the current share price.

The yield pick-up on BPB's bonds was 2¾ per cent, while the premium was 15.7 per cent – at the tight end of the ranges indicated when the bonds were first offered, and seen as expensive given that BPB is an unrated company standing outside the FT-SE 100.

Nevertheless the bonds were bought up quickly, and the issue was raised from its initial £60m.

See Lex

INTERNATIONAL CAPITAL MARKETS

French Ecu bond offering marks market revival

By Tracy Corrigan

STRONG demand for the French government's first issue of Ecu BTANs (French Treasury notes) yesterday marked a further revival of interest in the market.

Only a handful of Ecu bond offerings has emerged since the market collapsed after Denmark's rejection of the Maastricht treaty last June. But the pace of issuance has picked up since the start of the year. The UK, France and Finland, as well as the European Investment Bank and the European Community, have all issued paper this year.

However, the French government's commitment to the market is the most crucial to its survival. The only Ecu bond futures contract is based on Ecu OATs, which are generally viewed as the benchmark issues for the whole market.

The French government last year reaffirmed its policy of raising 15 per cent of its funding needs through Ecu bond offerings, despite the difficulties besetting the market, but is well ahead of that target so far this year.

Dealers said the issue appeared attractively priced, relative to other Ecu issues, and reported strong demand from central banks and UK-based fund managers and some interest from Japanese investors.

In addition, the five-year BTAN issue provides investors with the opportunity to play the Ecu bond yield curve, consisting solely of French government debt, from five years to 30 years.

The Ecu2bn five-year issue also made good economic sense for the French government. The five-year area is the lowest point of the Ecu bond yield curve. The 7 per cent notes were priced to yield 7.51 per cent, very close to the 7.50 per cent yield of five-year French franc government paper.

Until recently, it was more expensive for the government to raise funds in the Ecu rather than the French franc market, which had raised doubts about the government's continued commitment to the market.

However, the government plans to add to the five-year BTAN, syndicated by a group of banks led by Paribas and Crédit Commercial de France, by auctioning further tranches.

Japanese trust banks may be downgraded by S&P

By Emiko Terazono in Tokyo

STANDARD and Poor's, the US credit rating agency, has placed four leading Japanese trust banks under review for possible downgrade.

S&P said long and short-term debts of Mitsubishi Trust and Banking, Mitsui Trust and Banking, Sumitomo Trust and Banking, and Yasuda Trust and Banking were being reviewed.

Japan's trust banks have suffered from problem loans and large exposure to the property market. The banks also face lower fee income on the stock and land trust businesses due to the slump on both the Tokyo stock market and property market.

S&P said the four banks were faced with "a high and still-growing level of problem loans reflecting the weak real estate market and the sluggish Japanese economy".

The credit agency also said the profit ratios of the banks were under pressure.

● S&P also announced the downgrading of Sumitomo Life Insurance's claims paying ability to AA plus from AAA. Japan's life assurance companies face a sharp fall in unrealised assets amid the current slump of Japanese shares, at a time when dividend payments to policyholders are higher than returns on investments due to lower interest rates and a sluggish stock market.

US Treasuries soar on sharp drop in consumer index

By Karen Zagor in New York and Tracy Corrigan in London

US TREASURY bond prices soared yesterday morning as the market reacted to an unexpected sharp drop in the consumer confidence index which more than offset concern about supply ahead of the afternoon's two-year note auction.

GOVERNMENT BONDS

The benchmark 30-year government bond, which broke through the psychologically important 7 per cent yield barrier on Monday, continued to set new records yesterday.

By midday, the long bond was 1 5/32 higher at 103 31/32, yielding 6.846 per cent. Among shorter-dated maturities, the three-year note added 1/32 to 100 11/32, yielding 4.274 per cent. The Federal Reserve refrained from operating in the open market, and Fed funds were changing hands at 2⅞ per cent at mid-session.

Bond prices withstood an early round of selling and a slight decline in the Dow Jones Utility Average, which has lent support to the bond market's recent gains. Investor confidence in President Bill Clinton's economic package remains the main force underpinning the market's bullishness.

News that February's consumer confidence index had fallen to 68.5 from 76.6 in January added to the market's euphoria. Furthermore, the expectations component of the index tumbled about 14 points to 84.4.

■ EUROPEAN bond prices proved volatile yesterday as concern about pressure on the weaker currencies prompted substantial switching between markets.

The Spanish and Italian bond markets again bore the brunt of selling pressure.

Spanish bonds fell more than half a point, following a ¼-point drop on Monday. Dealers said the Bank of Spain's defence of the currency was seen as a signal to sell bonds.

In addition, short rates rose as high as 20 per cent, shaking out speculative positions in the bond market which had become too expensive to fund.

■ ITALIAN bonds also lost ground as the lira's slide was exacerbated by political uncertainty ahead of this week's vote of confidence in the government. Bond prices slid nearly half a point, undermined further by the weak reception to the latest T-bill auction.

■ FRENCH bonds also weakened as nervousness increased ahead of next month's election.

Dealers are expecting the spread between the French and German markets, which has recently increased to about 85 basis points, to widen further ahead of the election, although the French market would still benefit from any reduction in German rates.

■ AFTER rallying more than a point on Monday on expectations of a full-scale rate cut, the Danish bond market fell back again yesterday when the suggestion of a rate cut sparked pressure on the currency.

Overnight rates rose as high as 20 per cent, prompting selling of Danish bonds. The spread between Danish and German bonds widened to 189 basis points from 176 basis points.

■ GERMAN bund and UK gilt prices both ended slightly higher, but showed little fresh direction. The German bond market recovered from earlier weakness, benefiting from currency concerns in other markets. The gilts market remained firm, but lacked impetus, as dealers saw no sign of further interest rate cuts on the horizon.

FT FIXED INTEREST INDICES

	Feb 23	Feb 22	Feb 19	Feb 18	Feb 17	Year ago	High *	Low *
Govt Secs (UK)	96.54	96.57	96.32	96.13	96.00	88.31	96.57	85.11
Fixed Interest	112.41	112.25	112.06	111.83	111.75	101.33	112.41	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928
* for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 112.41 (23/2/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Feb 22	Feb 19	Feb 18	Feb 17	Feb 16
Gilt Edged Bargains	138.5	137.4	140.8	138.6	149.0
5-Day average	140.4	141.8	145.9	145.1	145.7

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	111.7449	+0.210	8.21	8.47	8.77
BELGIUM		9.000	03/03	110.0000	+0.065	7.55	7.72	7.65
CANADA *		7.250	06/03	99.1000	+1.100	7.37	7.65	8.00
DENMARK		8.000	05/03	95.7500	-0.860	8.64	8.78	8.42
FRANCE	BTAN	8.500	03/97	102.5195	-0.069	7.74	7.89	7.92
	OAT	8.500	11/02	106.3400	+0.280	7.55	7.81	7.89
GERMANY		8.000	07/02	107.9900	+0.090	6.82	6.98	7.16
ITALY		12.000	05/02	95.8700	-0.465	13.18†	13.07	13.29
JAPAN	No 119	4.800	06/99	104.8310	+0.105	3.85	4.03	4.21
	No 145	5.500	03/02	110.5359	+0.476	3.93	4.16	4.33
NETHERLANDS		8.250	06/02	110.3900	+0.060	6.71	6.85	7.17
SPAIN		10.300	06/02	92.4000	-0.800	11.65	11.44	11.82
UK GILTS		7.250	03/98	102-20	+4/32	6.62	6.74	7.15
		8.750	08/02	112-22	+2/32	7.82	7.93	8.33
		9.000	10/08	106-03	+2/32	8.28	8.37	8.79
US TREASURY *		6.250	02/03	100-27	+6/32	6.13	5.63	6.49
		7.125	02/23	103-04	+1/32	6.88	7.12	7.36
ECU (French Govt)		8.500	03/02	104.3250	-0.069	7.82	8.10	8.07

London closing *New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Dresdner Bank wins mandate for DM3bn EC issue

By Antonia Sharpe

THE European Community has awarded the mandate for its widely-expected DM3bn Eurobond offering to Dresdner Bank.

An official in Frankfurt said Dresdner would be the sole bookrunner of the seven-year issue, the proceeds of which are intended to fund the EC's previously-announced loan to Italy. The transaction is expected to be launched today.

INTERNATIONAL BONDS

There were three offerings in the Eurodollar sector yesterday, which also saw the pricing of Toyota Motor Corp's $1.5bn five-year deal at 101.333 to yield 38 basis points above the when-issued five-year US Treasuries. The pricing was in line with market expectations.

Kidder Peabody launched a $315m mortgage-backed seven-year floating-rate note through a special-purpose vehicle, the second real estate-related issue in less than a week. Last Friday, Merrill Lynch arranged a $57.5m five-year FRN for Regency Square Finance Corp, aimed at refinancing the mortgages on Regency Square Mall in Jacksonville, Florida. The coupon on the Regency Square notes was 110 basis points above three-month Libor, and the notes were trading at their launch price of 99.75 yesterday.

The indicated coupon on Kidder's deal, the proceeds of which will be used to finance 13 shopping malls in the US, is 75 basis points above three-month Libor. An official at Kidder Peabody said the notes were "largely placed" by yesterday afternoon and he expected them to be priced before the indicated date of March 3.

The Bank of Greece raised $300m through a 10-year FRN, priced at 99.70 and with a coupon of 75 basis points above six-month Libor. An official at lead-manager CSFB said that a "decent chunk" of the offering had been sold by late yesterday but that it would take a few more days to complete the placement.

Elsewhere, France Telecom tapped the Swiss franc market, raising SFr150m through a five-year offering, currently the favoured maturity among Swiss investors. The bonds were priced at 102.50 with a coupon of 4.75 per cent and traded inside fees in the grey market, at 101.10 to yield 4.5 per cent.

Swiss and UK investors were reported to have snapped up a SFr75m four-year convertible issue from Dong Ah Construction Industrial Company, South Korea's third-largest construction company. The issue was at par, with a coupon of 3.25 per cent, but the price shot up to 105.50 in grey market trading, reflecting the strong demand among investors for convertible paper as well as the rarity of Korean issuers in the equity-linked sector.

Yesterday also saw the first deal from Australia's Treasury Corp of Victoria, the new, centralised treasury body which has replaced the now-defunct Victoria Public Finance Authority. TCV is also responsible for borrowing on behalf of other state entities.

TCV raised A$150m, up from an original A$125m, through a 10-year issue with a coupon of 8¾ per cent, priced at 100.35 to yield 8.70 per cent or 60 basis points over comparable Australian government bonds.

When the bonds started trading, the price fell to 98.50 to yield 8.98 per cent but was inside fees of 2 per cent.

The yield spread on the bonds is wider than those of other recent 10-year offerings in the Australian dollar Eurobond market, and reflected TCV's credit rating of A1/AA.

This compared with a yield spread of 26 basis points above Australian government bonds on the Australian Industrial Development Corporation's 10-year bonds, launched in January, and 38 basis points on an issue the same week by the State Bank of New South Wales. Both have higher credit ratings than TCV.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Casio Computer Co.(a)♦	350	2	100	Mar.1997	2.25/1.5	Daiwa Europe
K.Peabody Mort.Fin.II(b)‡	315	(b)	100	Mar.2000	-	Kidder Peabody Int.
Bank of Greece(c)‡	300	(c)	99.7	Mar.2003	0.25/0.15	CSFB
D-MARKS						
BHF Finance(Netherlands)	300	6.75	101	Mar.1998	-	BHF Bank
Heraeus International Finance	100	7.25	102.5	Mar.2000	2.25/1.5	Deutsche Bank
STERLING						
BPB Industries(d)§#	64	7.25	100	Aug.2008	2.5/1.5	NM Rothschild/SNC
CANADIAN DOLLARS						
City of Vienna	125	7.25	101.185	Mar.1998	1.875/1.25	Swiss Bank Corp
AUSTRALIAN DOLLARS						
Treasury Corp.of Victoria	150	8.75	100.35	Apr.2003	2.125/1.375	Hambros Bank
SWISS FRANCS						
France Telecom	150	4.75	102.5	Mar.1998	-	UBS
Dong Ah Constr.Ind.Co.(e)§*	75	3.25	100	Dec.1997	-	Swiss Bank Corp.

Final terms and non-callable unless stated. *Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. #Semi-annual coupon. a) Final terms fixed on 2/3/93. b) Backed by commercial mortgages. Coupon indicated at 3-month Libor + 0.75%; final terms confirmed by 3/3/93. c) Coupon pays 6-month Libor + 0.75%. Callable every 2 years from Mar 1995 at 100.25%. Puttable every 2 years from Mar 1995 at par. d) Conversion price: 258p. Callable from 8/9/96 at par. e) Final terms fixed on 25/2/93. Callable and puttable on 31/12/95 at 108.5

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 5:55 pm on February 23

U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield

ABN 9 1/8 94 | 200 | 106¼ | 107 | | 4.51

[illegible]

OTHER STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield

ARBED 7 1/2 95 LFr | 600 | 97⅞ | 98⅝ | +⅛ | 8.40

[illegible]

DEUTSCHE MARK STRAIGHTS [illegible]

SWISS FRANC STRAIGHTS [illegible]

YEN STRAIGHTS [illegible]

FLOATING RATE NOTES | Issued | Bid | Offer | C.cpn [illegible]

CONVERTIBLE BONDS | Issued | Cnv. price | Bid | Offer | Prem. [illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	45	7	25
Other Fixed Interest	6	0	9
Commercial, Industrial	245	341	830
Financial & Property	120	126	549
Oil & Gas	32	9	43
Plantations	2	3	8
Mines	28	35	76
Others	54	32	33
Totals	532	553	1,568

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
51	F.P.	-	68	52	Intl Food Machinery	68	+2	-	-	-	-
510¼	F.P.	-	725	707	Mauritius Fund	717		-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-
[illegible]							
520	Nil	18/3	67pm	64pm	♦Menzies-Swale	67pm	
40	Nil	11/3	42pm	34pm	PizzaExpress	34pm	-4
[illegible]	10p	1/3	23	12	Property Trust	23	
17	Nil	31/3	¼pm	¼pm	♦SelecTV	¼pm	
140	Nil	6/4	28pm	27pm	Triplex Lloyd	27pm	
345	Nil	9/3	70pm	55pm	Volex	69pm	+1
260	Nil	22/3	78pm	39pm	Wiessoe	57pm	-3

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. o Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. s Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ¶ Units comprising 1 ord. and 1 zero pref. share.

TRADITIONAL OPTIONS

● First Dealings Feb 22
● Last Dealings March 5
● Last Declarations June 3
● For settlement June 14

3-month call rate indications are shown in Saturday editions.

Calls in: Amstrad, Aran Energy, ADT, Avesco, Babcock, Danka, Harrington, Hartstone, Mid-States and Williams Hldgs. Puts in: Avesco, Camperi, Kleinwort Benson, Riva and Southern Business. Doubles in ASDA and Amstrad.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

[illegible]

February 23 Total Contracts 33,045
Calls 22,566 Puts 10,479
FT-SE Index Calls 3,035 Puts 2,575
Euro FT-SE Calls 492 Puts 1,360
*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Tue Feb 23	Day's change %	Mon Feb 22	Accrued interest	xd adj 1993 to date
	British Government					
1	Up to 5 years (24)	129.59	+0.03	129.55	1.79	1.72
2	5-15 years (22)	148.63	+0.10	148.48	1.45	2.85
3	Over 15 years (8)	157.01	+0.15	156.77	1.38	1.80
4	Irredeemables (6)	177.80	-0.10	179.09	2.29	1.12
5	All stocks (60)	144.88	+0.08	144.77	1.59	2.28
	Index-Linked					
6	Up to 5 years (2)	183.35	....	183.34	0.06	1.51
7	Over 5 years (12)	171.36	+0.21	171.01	0.67	0.87
8	All stocks (14)	171.81	+0.18	171.51	0.59	0.96
9	Debs & Loans (66)	127.47	+0.14	127.29	2.00	1.86

AVERAGE GROSS REDEMPTION YIELDS

			Tue Feb 23	Mon Feb 22	Year ago (approx.)
	British Government				
1	Low	5 years	6.59	6.62	8.56
2	Coupons	15 years	7.81	7.82	9.13
3	(0%-7¾%)	20 years	8.11	8.11	9.13
4	Medium	5 years	6.87	6.88	9.39
5	Coupons	15 years	8.29	8.31	9.20
6	(8%-10¾%)	20 years	8.47	8.48	9.16
7	High	5 years	7.04	7.05	9.62
8	Coupons	15 years	8.56	8.57	9.30
9	(11%-)	20 years	8.65	8.65	9.24
10	Irredeemables (Flat Yield)		8.56	8.55	9.34
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.02	2.01	3.65
12	Inflation rate 5%	Over 5 yrs.	3.49	3.50	4.30
13	Inflation rate 10%	Up to 5yrs.	1.14	1.13	2.96
14	Inflation rate 10%	Over 5 yrs.	3.30	3.31	4.12
15	Debs &	5 years	8.60	8.61	10.85
16	Loans	15 years	9.39	9.41	10.62
17		25 years	9.62	9.63	10.46

Sharp fall to £58m at Sedgwick

By Richard Lapper

RECESSION AND low insurance rates in the United States led to a sharp fall in pre-tax profits, from £82.4m to £58.2m, at Sedgwick Group, one of the UK's biggest insurance brokers.

Business was also adversely affected by a shrinkage in the London insurance market, a decline in interest rates worldwide and a sharp rise in underwriting losses at River Thames Insurance, the insurance company in which Sedgwick has a 49 per cent share.

A final dividend of 3p is proposed, cutting the total for the year from 12p to 6p. Earnings were £35.5m and earnings per share 8.3p, compared with £54.6m and 12.8p in 1991 respectively.

Mr Sax Riley, chief executive, said the group was focusing on "increasing revenue" in 1993, but warned that "no significant improvement" was expected.

Executives were downbeat about prospects for US insurance rates, where despite recent losses, rates remain competitive. Some 40 per cent of Sedgwick's revenues are generated by its US operations.

"We have seen some tightening in the reinsurance market," said Mr Quill Healey, head of Sedgwick's US operation, "but not much of it has fed through on a day-to-day basis. We are seeing some change in Florida but in general it just hasn't happened yet."

Brokerage and fee income rose by £10m to £631.9m, but interest and investment income fell to £53m (£63.2m). Expenses rose 2 per cent to £608.8m.

Operating profit dropped to £76.1m (£92.7m). Associates' losses amounted to £3.1m (profit £1.4m).

Insurance underwriting profits amounted to £900,000 (£1.5m). Interest payable rose to £15.7m (£13.2m), reflecting an increase in borrowings from £96m to £156m during the year.

Profitability of the EW Payne reinsurance subsidiary fell by approximately £4m, a decline of 25 per cent compared with 1991. Brokerage declined by £5m to £63.1m, reflecting the sharp contraction in capacity.

See Lex

Chas Church to get more bank support

By Andrew Taylor, Construction Correspondent

A number of banks, which 18 months ago launched a £53m rescue of Charles Church, the Surrey-based housebuilder, have agreed to put more money into the business.

A group of ten leading shareholders led by Royal Bank of Scotland are understood to have provided about £5m of additional working capital to the company.

Mr Stewart Baseley, chief executive, said the money would be used to buy land.

He said that house sales by the group were currently almost double that of the corresponding period last year.

In 1991, some 16 banks agreed to swap £53m of borrowings for an 81 per cent stake in the group.

Royal Bank of Scotland said yesterday: "We have been extremely pleased with the company and its management who substantially have met the objectives set down two years ago. We now perceive that the time is right to be investing in the company to provide for future growth."

Stakis rights issue attracts 93.26%

Stakis, the hotels and casinos concern, has received acceptances for its rights issue in respect of 84.66m ordinary shares (93.26 per cent).

SB's new drugs show strong divisional growth in sales

By Paul Abrahams

GIVEN THE inevitable decline in sales of Tagamet, the anti-ulcer drug and SmithKline Beecham's best-selling product whose US patents expire next May, the growth of SB's drugs division will be dependent on its ability to develop and market new medicines.

Yesterday's results demonstrated the strength of the group's drugs pipeline as well as the power of its marketing effort.

The new drugs increased their sales by £212m, representing nearly half of pharmaceuticals sales increase.

This growth is vital if SB is to offset ever-tightening price controls. Its worldwide drugs sales actually suffered a 0.5 per cent fall in prices following a 16 per cent price cut in Japan for Tagamet. Of the group's 11.4 per cent sales growth, 9 percentage points were generated by volume, and only 1 per cent by prices. The remainder was currency driven.

The star performer among the new products was Engerix-B, a recently-launched hepatitis vaccine, whose sales improved from £103m to £267m. Mr Jan Leschly, chairman of SB pharmaceuticals, said only £50m of Engerix sales were in the US paediatric market which might be affected by price cuts threatened by the new White House administration.

Relafen, an arthritis treatment, generated sales of £175m during its first 10 months in the US, said Mr Leschly. Its worldwide sales increased six times to £118m. Seroxat, an anti-depressant, generated sales of £36m. It was launched two weeks ago in the US by a salesforce of 1,800 representatives. Sales of Kytril, an anti-nausea product, were £31m.

The product launches were not without cost. Group selling general and administrative expenses (SG&A) increased from £1.55bn to £1.84bn. As a proportion of group sales, SG&A rose from 33.1 to 35.2 per cent. Group margins fell 0.7 percentage points to 21.9 per cent. The drugs division's sales and marketing spend increased 13.6 per cent to £789m.

Meanwhile, sales of some established drugs were also impressive. Augmentin, an antibiotic, increased 14 per cent to £589m.

Research and development investment rose from £415m to £478m, equivalent to 9.2 per cent of sales.

Baldwin's £2.7m cafe purchase

BALDWIN, the holidays, printing and properties group yesterday announced it would pay Taylor Walker, a subsidiary of Allied-Lyons, £2.65m cash for the Muswell's cafe-bar-restaurant chain.

Baldwin this week announced an 8.2 per cent increase in profits for the year to end-October.

The company said it would pay for the outlets from its own resources.

The cost of the 27 outlets, based mainly in the south and south-east of England, represents the value of the assets acquired, the directors said.

The acquisition is part of the company's attempt to expand its interests in the restaurant, catering and leisure business.

In October 1992, it acquired Simpsons of Cornhill, which owns and manages six restaurants in London, including the famous City chop house, as well as a restaurant in Oxford.

The company also owns Kaycamp, a tour operator.

Mr Sandy Singh, chief executive, said the acquisition showed "Baldwin's determination to be a market leader in what it believes to be the growth sector of the industry."

Howden purchase and £31m cash call

By Peter Pearse

HOWDEN GROUP, the Glasgow-based engineering concern hit hard by a Danish tunnelling contract, has, in an unconnected move, agreed to buy Novenco Industries, a Danish manufacturer of industrial fans, and has proposed a rights issue to raise £31.4m to fund the purchase and to reduce bank borrowings.

Although Howden expects that the total cost of Novenco – which consists of five fan engineering companies – will be about £22m, the actual consideration will equal Novenco's net asset value at December 31 1992 – expected to be no more than £7.9m. The UK group will also pick up a 50 per cent interest in a property in Naestved, Denmark, for £1.3m. On top of that, Novenco's borrowings of about £7.8m have to be repaid and about £5m will be needed to integrate Novenco's operations with Howden's air and gas handling division.

Mr Alan Maclachlan, Howden company secretary, said that the remainder of rights cash – about £9.4m – would reduce group debt, which stood at about £55m at the end of January, and would reduce gearing from 33 per cent to "nearer the 20 per cent level".

Novenco, which in the year to April 30 made pre-tax losses of £2.8m on turnover of £45.3m, makes large and medium-sized fans, said Mr Maclachlan, adding that it accounted for less than 5 per cent of the turnover of Danisco, its parent and Denmark's biggest sugar producer.

Howden said Novenco's installed product base was outside its own traditional geographical markets. Novenco is strong in Scandinavia, especially Denmark, the Far East, and has small operations in the UK, Canada and the US. Howden's main markets are South Africa, Australia, Canada, the Netherlands and France.

Mr Maclachlan stressed that no Howden plant in the UK would close as part of the integration. He added that the resultant spread of the installed base would be good for the provision of spares, a higher margin market than fan manufacture.

The rights issue, underwritten by Robert Fleming, is on a 2-for-7 basis at 52p per share. The new shares will qualify for the final dividend in the year to April 1993, forecast to be 1.4p.

Yorkshire Chemicals falls 8% and calls for £24.3m

By Richard Gourlay

YORKSHIRE Chemicals, the dyes and specialist materials group, is to raise £24.3m through a 1-for-5 rights issue at 330p, in order to fund its capital expenditure programme over the next two years.

The rights issue was priced at a 17.5 per cent discount to the 401p price prevailing before yesterday's announcement. Yorkshire's shares closed down 1p.

The proceeds will strengthen the group's balance sheet and will prevent gearing from doubling to about 40 per cent as it might have done.

Reporting an 8 per cent fall in pre-tax profits from £11m to £10.1m in the year to December, the company said demand remained strong and constraints on production capacity had led the group to contract out production to an increasing extent.

The company said it had grown rapidly largely through organic growth but that it was engaged on a significant investment programme to support continued expansion.

The board expected to spend about £16m this year and the balance of the rights proceeds next year which would substantially increase production capacity.

The pre-tax result was struck on turnover up 5.6 per cent at £98m (£92.8m). Operating profits declined to £11.5m (£12.1m) while net interest charges increased from £1.1m to £1.41m.

Earnings per share fell from 20p to 18.4p and the board is recommending a final dividend of 5.15p, making a total of 7.65p (7.25p) for the year.

The new shares will not be eligible for the final dividend.

The fall in profits was well-flagged. Mr Philip Lowe, chairman, said sales and margins had continued to be affected by deteriorating world trading conditions in 1992 and were also hit by the weakness of the US and Australian dollars.

The rights issue is fully underwritten by Kleinwort Benson.

• COMMENT

Whatever the virtues to raising cash to strengthen the balance sheet one has to wonder why yesterday's rights issue was quite so deeply discounted. By opting for expansion with equity rather than debt, Yorkshire has clearly opted for the most conservative route. But one wonders whether the company's advisers have really earned their underwriting fee at this price. Another consequence of the issue is that shareholders will be rather more heavily diluted than they might have needed to be. As a result, the shares are unlikely to continue their recent strong performance. After taking into account the right issue proceeds, pre-tax profits are likely to rise to £14.3m this year, giving 22.3p of earnings and a prospective multiple that now looks fairly full at nearly 18 times.

Unipart bucks recession with 29% rise to £19m

By John Griffiths

UNIPART, the motor parts and accessories manufacturer and distributor, increased pre-tax profits in 1992 by 29 per cent to a record £19.1m, despite one of the most severe recessions in the UK motor industry's history.

The results reflected productivity improvements and cost base cuts which have been in progress since Unipart first began adopting Japanese-style working practices in 1989.

Pre-tax profits in 1991, also a year of deep recession for the motor industry, had risen by 17 per cent.

However, a decision to end trade union recognition last spring played a significant role in the profits rise from 1991's £15.4m, according to Mr John Neill, chief executive.

Sharp productivity increases, as high as 30 per cent in the contract distribution division, had been achieved last year, said Mr Neill.

The company, which employs 3,880 people, has four principal operating companies with a combined turnover last year of £661.4m, up 17 per cent on the comparable £566.7m.

Other contributors to the record results were the coming on stream last year of Premier Exhausts, a new Coventry-based catalytic exhaust and catalytic converter plant supplying Rover and Honda; more than £2m saved by Unipart's own form of Japanese "quality" circles, and new products such as car immobilisers.

Hewitt ahead by 33%

By Gary Evans

A SUBSTANTIAL increase in activity in the final quarter enabled Hewitt Group, the industrial ceramics and refractories maker, raise pre-tax profits by 33 per cent from £625,000 to £832,000 in 1992.

Turnover rose 5 per cent to £7.76m. Earnings per share grew from 11.4p to 14.8p, while a proposed final dividend of 1.75p makes a total for the year of 3p (2.5p).

Mr David Haynes, chairman, said that after a relatively disappointing third quarter there was a sharp improvement as a result of the devaluation of sterling, together with certain customers increasing orders to rebuild their stock to normal levels.

Considerable progress had been made at Hewitt's factories in Stoke-on-Trent and Triptis, Germany. The Triptis factory will become fully operational in mid-1993.

Lower interest helps Porvair advance 20%

By Catherine Milton

PORVAIR, which manufactures microporous plastics and metals for clothing and industrial applications, lifted pre-tax profits by 20 per cent in the year to November 30.

Profits benefited from last February's £3.3m rights issue which cut interest charges by £163,000 to £263,000. Debt and gearing fell from £3.59m and 36 per cent before the rights issue to £3.15m and 28 per cent at the year-end.

The rights proceeds also funded July's £2.4m purchase of Accumatics Filtration, a producer of porous metal materials for use in filtration.

Porvair Ceramics, which markets pressure casting equipment and microporous moulds, lost £230,000 and took a write-off of £207,000 of marketing and development costs.

Group turnover was £17.9m – including £1.05m from acquisitions – against £16.6m.

The tax charge for the year was lower than expected at £386,000 (£347,000) after previous over-provisions. Earnings per share rose to 11.6p (10.5p). The final dividend is lifted to 2.4p (2.1p) for a total of 3.6p (3.2p), an increase of 12.5 per cent.

The company said it was looking for suitable acquisitions in filtration and medical diagnostic devices.

INVESTMENT TRUST DIGEST

Murray Income net assets rise

MURRAY INCOME Trust reported an increase of 13 per cent to 293.6p in net asset value per share at December 31 compared with 260.2p at June 30 1992.

An increase in the final dividend from 4p to 4.15p is forecast for the current year. An interim dividend of 6.75p (6.6p) has already been declared and is payable in three instalments. For 1993-94 directors are expecting to raise the interim to 7p.

The trust – 80 per cent of its assets are in the UK – reported total revenue of £6.1m (£6.32m) in the six months ended December 31. Revenue available for ordinary holders came out at £4.15m (£4.32m), giving earnings per share of 5p (5.2p).

M&G Recovery

At December 31 1992, M&G Recovery Investment Trust had a net asset value of 46.43p per capital share and 49.25p per zero dividend preference share.

The trust was launched in March 1992. It yesterday declared a third interim dividend of 1p, making 2.7p to date; a total of 3.75p is indicated for the full year.

Net revenue was £4.3m for earnings of 3.31p per income share.

East German Inv

Net asset value per share at the East German Investment Trust improved from DM2.71 to DM2.8 (114p) over the year to December 31.

Net revenue fell from DM2.53m to DM701,000 for earnings per share of 1.4 pfennigs (6.3 pfennigs). The dividend is 0.5 pfennigs (5 pfennigs).

Pacific Assets

Pacific Assets Trust's undiluted net asset value per share at January 31 stood at 350.8p compared with 258.31p a year earlier; diluted the value was 313.9p against 232.76p.

Net revenue for the 12 months fell from £329,000 to £262,000, equivalent to earnings per share of 1.34p (1.71p).

A single final dividend of 1.1p (1p) is recommended.

Scottish Eastern

Strength in overseas markets and currencies lifted the net asset value of Scottish Eastern Investment Trust by 14 per cent from 69.5p to 79.2p in the year to January 31.

After-tax revenue rose from £9.02m to £10.17m, while earnings per share came out at 1.59p (1.41p). The recommended final dividend is 1.02p making a total of 1.52p (1.42p).

American Trust

American Trust lifted net asset value by 26 per cent, from 210.3p to 265.2p, in the year to January 31.

Earnings per share rose from 4.77p to 4.82p. The directors are raising the final dividend to 3.4p, making a total of 4.9p (4.8p).

European Smaller

European Smaller Companies, which obtained a listing last July, had a net asset value of 104.5p per share at December 31.

Net revenue for the 24 week-period amounted to £242,000 for earnings per share of 0.68p. An interim dividend is not proposed.

River/Merc Smaller

Net asset value at River & Mercantile Smaller Companies Trust was 116.75p per share at January 31, against 107.7p a year earlier and 99.27p at July 31 1992.

Available revenue for the six months to end-January amounted to £443,000 (£254,000) for earnings of 1.7p (1.01p) per share. The interim dividend is held at 1.25p.

TR European

Net asset value of TR European Growth Trust amounted to 99.2p at December 31, compared with 97.9p six months earlier.

Total revenue rose from £530,000 to £661,000 in the interim period and revenue after tax emerged at £332,000 (£219,000). Earnings per share were 0.91p (0.6p).

Henderson Euro

Henderson EuroTrust had a net asset value per ordinary share of 97.6p at January 31, a 29 per cent rise on the value at the trust's launch on July 2 1992.

The value per zero dividend preference share at January 31 was 21.43p, and per unit of one ordinary and one zero preference, 119.03p.

Net revenue for the seven month period amounted to £367,000 for earnings per share of 2.12p. A maiden interim dividend of 1.5p is declared.

London Finance

Net asset value per share at London Finance & Investment Group stood at 20p at December 31 1992, against 20.84p a year earlier.

Net revenue for the year amounted to £168,000 compared with losses of £3.69m. Earnings per share came to 0.67p (14.77p losses) and the proposed dividend is 0.4p (0.75p).

Multitrust

Multitrust, an investment trust which concentrates its portfolio in smaller UK companies and other investment trusts, had a net asset value of 35.25p per share at the end of December.

The figure compared with 33.2p at the trust's June year-end and 35.64p at the end of 1991. The value has risen by a further 9 per cent since the latest year-end, according to Mr Andrew Perloff, chairman.

Earnings per share for the six months edged ahead to 1.46p (1.45p). The interim dividend is maintained at 1.5p; a final of at least 1.2p is forecast.

Shirescot

Shires High-Yielding Smaller Companies Trust reported a net asset value of 111.5p per share as at December 31; fully diluted the figure was 109.58p.

The trust, launched on August 28, achieved net revenue of £334,000 for the period to end-December, equivalent to fully diluted earnings of 2.62p per share.

A dividend of 2.2p is proposed for the period; directors intend to pay a total distribution of not less than 5p for 1993, in line with the prospectus forecast.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for trading on 24.02.93: Pool purchase price £/MWh	Final Prices for Trading on 27.01.93: Pool purchase price £/MWh	Final Prices for Trading on 27.01.93: Pool selling price £/MWh
0030	18.35	18.66	18.66
0100	24.75	21.60	22.95
0130	26.46	27.02	28.59
0200	24.75	27.02	28.54
0230	24.75	21.60	22.90
0300	24.75	21.60	22.90
0330	24.75	21.60	22.91
0400	22.73	18.63	18.63
0430	21.42	18.59	18.59
0500	21.42	18.37	18.37
0530	21.20	18.26	18.26
0600	21.13	18.26	18.26
0630	22.06	18.41	18.41
0700	22.33	18.66	18.66
0730	22.70	21.88	23.02
0800	22.70	22.78	24.15
0830	24.06	22.78	24.14
0900	23.46	22.79	24.16
0930	31.21	23.91	25.31
1000	31.21	26.91	28.39
1030	31.21	26.90	28.39
1100	26.80	23.91	26.30
1130	26.80	22.80	24.15
1200	26.80	26.90	28.39
1230	26.80	26.90	28.39
1300	24.06	22.79	24.15
1330	24.06	22.78	24.15
1400	22.70	19.35	19.35
1430	24.05	19.31	19.31
1500	24.06	19.25	19.26
1530	24.06	19.31	19.31
1600	24.06	19.31	19.31
1630	22.44	22.88	24.25
1700	24.09	31.31	33.73
1730	26.44	31.35	33.76
1800	28.53	32.24	34.64
1830	30.01	29.33	31.03
1900	30.01	28.46	29.94
1930	28.48	27.46	28.92
2000	26.45	24.65	26.02
2030	24.91	22.78	24.10
2100	24.06	22.78	24.17
2130	22.97	21.68	22.98
2200	22.97	21.68	22.99
2230	22.97	18.60	18.60
2300	22.97	18.41	18.41
2330	18.30	17.77	17.77
2400	18.09	17.72	17.72

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and, sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for such day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-458724 between 9:30am and 5:45pm Monday to Friday.

*NGC Settlements Limited

COMPANY NEWS: UK

Difficult trading conditions mean rise of over 9% in last six months

Inntrepreneur failures increase

By Philip Rawstorne

THE FAILURE rate among Inntrepreneur Estates' pub leaseholders increased to more than 9 per cent during the last six months, Mr David Tagg, chief executive of Grand Metropolitan's property and UK retailing operations, said yesterday.

Mr Tagg told shareholders at GrandMet's annual meeting that since the Inntrepreneur joint venture with Courage was established two years ago, leasehold failures had averaged between 4 per cent and 5 per cent a year.

"This has increased recently because of the difficult trading conditions," he said.

About 20 Inntrepreneur licensees, protesting that the terms of the leases were driving them into bankruptcy, picketed the meeting with placards calling for lower rents.

Inside, Sir Allen Sheppard, chairman and chief executive, told shareholders that "only a very small minority" of Inntrepreneur's 4,700 leaseholders were not trading successfully. "Rents are not being imposed," he said. "They are agreed by both parties."

Mr Terry Carpenter, a shareholder and licensee, invited Sir Allen to visit Inntrepreneur's pubs in South Wales. "I will give you a pound for every successful one you can find," he said. "I will not lose much money. 80 per cent of the pubs that are shut belong to Inntrepreneur or GrandMet."

Trevor Humphries

About 20 Inntrepreneur licensees picketed yesterday's GrandMet annual meeting. They were protesting that the terms of their leases were driving them into bankruptcy

When another shareholder asked how the harassment of leaseholders squared with the company, Sir Allen replied that the line between ethics and commercial activities was "always a difficult one to draw." He added: "One cannot simply be a nice guy, much as one would like to be."

Mr Tagg explained: "Sometimes we have to take court action in the interests of the company and shareholders to recover arrears of rent or the repossession of a pub ... but we are ready to talk to individual lessees about their problems and do what we can to help."

Another shareholder, Mr Charles Adams, suggested that the cost of more lenient treatment of leaseholders in trouble would be very small. "I doubt if it would affect the dividend, and if it did, I am sure ordinary shareholders would be only too pleased to pay," he said.

Sir Allen said that although Inntrepreneur was still experiencing a difficult property market, it was now benefiting from lower UK interest rates.

A revaluation of the estate will be made in September. Last year's revaluation led to an 11 per cent write-down and cash injections of £32m from both GrandMet and Courage.

Commenting on GrandMet's current trading, Sir Allen said that conditions in the UK and Europe continued to be challenging but there were "definite signs of improvement" in the US.

Currency fluctuations would have a significant favourable impact on 1993 results though balance sheet borrowings would also be increased, he said.

Bradford & Bingley hit by higher bad debts

By Philip Coggan, Personal Finance Editor

BRADFORD & Bingley building society revealed a 15.3 per cent drop in pre-tax profits for 1992 after making provisions for bad mortgage debts of £81m, compared with £30.4m in 1991.

After the provisions, pre-tax profits for the year were £91.3m (£107.8m).

Operating profits increased from £138.2m to £172.3m, helped by a widening in interest margins. Net interest receivable was higher at £237m (£201.4m), despite the effect of £44.5m of interest deemed to be irrecoverable.

The society, Britain's seventh largest, said that "continuing recession and rising unemployment caused some difficulties for mortgage borrowers. As a result arrears levels remain high, although possessions taken in during the year were more than 38 per cent below 1991."

The society's assets grew 9.6 per cent over the year to £13.1bn and reserves rose to £552.7m (£489.8m).

Mr John Wrigglesworth, building society analyst at UBS Phillips & Drew, said the results were creditable considering that the society was facing the difficulty of absorbing Leamington Spa, with which it merged in 1991.

Provisions continue to curb NatWest's growth

By John Gapper

NATIONAL Westminster Bank's full-year results for 1992 show the continuing drag exerted on British high street banks by provisions for possible bad debts.

They also indicate why there has been market speculation that at least one bank may seek to strengthen its capital through a rights issue.

Lord Alexander, NatWest chairman, yesterday emphasised how much the bank would prefer that its home economy was a low inflationary one, in which "extreme economic cycles" were avoided.

Given the effect of the cycle from the late 1980s to today on his bank, he has good reason to want stability.

The bank achieved a healthy 16 per cent rise in profits before provisions, after ignoring the "fifth quarter" from its Lombard credit finance business's adjustment of year-end. It achieved a 15 per cent increase in non-interest income, raising the proportion to 43 per cent of total income.

However, the uncomfortable surprise in the results was the degree to which the bank's burden of provisions is continuing to hold back its pre-tax profits.

This in turn contributed to the bank having to pay an uncovered divided, and weakening its tier 1 ratio of core capital to assets to 5.2 per cent.

Mr Derek Wanless, chief executive, emphasised that it was "the length and depth of the recession" rather than poor lending decisions in the late 1980s that was to blame. A rise in non-performing loans to £5.1bn (£3.7bn) indicates that this year may also be tough.

Last year's recession brought down many of the small and medium-sized businesses to which NatWest is one of the main two bank lenders. Mr Wanless said 47.6 per cent of UK provisions were on lending to businesses which had borrowed less than £50,000, and 77 per cent were in the south-east.

The provisions were directly charged to the profit and loss account – taking the UK branch business into a £140m loss. But non-performing loans also had a depressing effect on net interest income, costing the bank £600m to fund compared with only £400m in 1991.

As a result, NatWest faced a weakening of tier 1 capital to levels which could have raised eyebrows. After paying a dividend with 0.7 times cover, the ratio fell to 5.2 per cent. This ratio could have approached 5 per cent if the bank had accepted the full effect of a property revaluation.

While 5 per cent is still a percentage point above the 4 per cent required by the Bank for International Settlements, it is regarded as the comfort limit preferred by the Bank of England.

Lord Alexander insisted yesterday that the bank could meet a £17bn rise in assets on current capital. But without any adjustments, that would push tier 1 capital below 4.5 per cent. This is the stimulus for speculation about rights issues, although Lord Alexander quashed such talk.

The bank has other solutions if things started looking tight. It made an issue of £200m in undated subordinated notes last year, which it can convert into cumulative preference shares at 30 days' notice. Such a move would add 0.2 percentage points to its tier 1 ratio.

NatWest could make another such issue, either in Britain or in the US. It could also remove £5bn in liquid assets, and a further £5bn in market placings dated over one month from its balance sheet if there was strong loan demand.

Nonetheless, the weakening of tier 1 capital indicates the sort of problems other banks could face in lending into a strong recovery. No matter how strong are rises in fees and other non-interest income, it shows how heavy the weight of provisions and non-performing loans remains.

The questions raised by NatWest apply strongly to Barclays, which is due to report its 1992 results next week. Barclays is NatWest's main rival in the small and medium-sized lending that has caused trouble. It too could face questions about its capital strength if it has had a similar experience.

Legal action threatened against Utd Newspapers

By Angus Foster

NORTHERN & Shell, publisher of Penthouse and Forum magazines, is threatening legal action against United Newspapers, publisher of the Express and Star national titles.

The disagreement follows a highly unusual court case last week when United sued one of its own subsidiaries in order to break off a distribution contract with Northern.

Northern yesterday decribed United's actions as "a device and a sham" and said it would issue proceedings against United later this week.

Northern and three other smaller magazine publishers signed a distribution agreement with United Magazine Distribution, a subsidiary of United, last summer. But relations soon turned sour and United claimed the contract was "inoperable".

The two sides discussed changing the contract for a couple of months.

However, United Newspapers Publications last week won a court judgment demanding repayment of a £256,902 intercompany loan extended from UNP to United Magazine Distributors.

Under the terms of the distribution agreement with Northern, any judgment against UMD could lead to termination of the contract. UMD claimed the contract was terminated on the same day the repayment judgment was made.

"We were advised by our legal side that this was the best way of ending the contract," United said.

Northern further alleged that UMD immediately withheld repayment of advances previously made from Northern to UMD.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- JF Pacific Warrant, Jos, Pacific Horizon Inv Trust, Primadona.

Finals- British Aerospace, Dakota, Dunedin Income Growth, Fairway, Hotspur Inv.

FUTURE DATES

Interims-

Afcadam	Feb 25
Bellwinch	Feb. 25
Lloyds Chemists	Mar. 11
Scholes	Mar. 16
Scottish National Trust	Apr. 27

Finals-

Billam (J)	Mar. 3
Calderburn	Mar. 8
Calor	Mar. 31
Pisons	Mar. 2
Glynwed	Mar. 9
Harrington Kilbride	Mar. 2
Honeysuckle	Feb. 25
Macfarlane	Mar. 30
Philips Electronics	Mar 4
Unidare	Mar. 4
Vivat	Mar. 2

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Admiral ....fin	3.7	May 10	3.3	5.4	4.8
American Trust ....fin	3.4	May 4	3.3	4.9	4.8
Amstrad ....int	0.2	Apr 21	0.4	-	1.4
BAe ....int	3	Feb 25	8.9	-	25
East German Inv ....fin	0.5‡	May 19	5	0.5	5
Henderson Euro ....int	1.5	May 11	-	-	-
Hewitt ....fin	1.75	-	1.5	3	2.5
London Finance ....fin	0.4	Apr 9	0.75	0.4	0.75
Multitrust ....int	1.5	Apr 16	1.5	-	2.5
M&G Recovery ....int	1♥	Mar 12	-	-	-
NatWest ....fin	11.375	May 7	11.375	17.5	17.5
Pacific Assets ....fin	1.1	Apr 27	1	1.1	1
Porvair ....fin	2.4	Apr 8	2.1	3.6	3.2
Regent Inns ....int	2.25	May 18	-	-	-
River/Merc Small ....int	1.25	Apr 2	1.25	-	3.9
Scottish Eastern ....fin	1.02	May 11	0.86	1.52	1.42
Sedgwick ....fin	3	Apr 26	8	6	12
Shiremoor ....fin	2.2☆	-	-	2.2	-
SB ....fin	2.375	Apr 15	4.15	8.6	7.7
Unilever ....fin	15.6	May 21	13.91	20.8	18.94
Yorkshire Chems ....fin	5.15	Apr 6	4.875	7.65	7.25*

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. *Adjusted for scrip issue. ☆For period from August 28 to December 31. ♥Third interim making 2.7p to date. ‡Pfennigs.

Operating profits rise 18.3% outside Europe and the United States

Far-flung markets fatten Unilever

By Guy de Jonquières, Consumer Industries Editor

UNILEVER'S long-standing commitment to far-flung markets in the developing world paid off handsomely last year, when operations outside the United States and Europe emerged as its star performers.

Operating profits in its "Rest of the World" sector rose 18.3 per cent from $420m to £497m ($705.7m), measured at average exchange rates, while sales increased 15.3 per cent to £5.34bn.

The operating margin widened from 9.1 per cent to 9.3 per cent, the highest of any of the group's regional sectors.

The results were boosted by particularly strong showings in central and south-east Asia and parts of Latin America. Unilever increased volume growth by more than 10 per cent in 15 countries across the region, and by more than five per cent in eight countries.

Mr Michael Perry, chairman, said he saw many further opportunities for growth, particularly in the Middle East, Vietnam and China, where Unilever recently began making skin care products.

In Europe, operating profit stagnated at £1.24bn on sales of £14.5bn - which compared with sales of £13.8bn the previous year - while operating margins narrowed from 9 per cent to 8.5 per cent.

The company said the flat results were entirely because of exceptional items, mainly related to restructuring costs, and to disposals, notably of the 4P packaging subsidiary and agri-business activities. Heavy investment in eastern Europe also held back margins.

Although professional markets, such as food service, had suffered from recession, consumer products had held up better in Europe. Personal products and foods in Mediterranean markets had an "outstanding" year, while ice cream and tea had performed strongly and frozen foods had shone in Italy.

The economic decline in Germany had been sharper than Unilever had expected six months ago, although it expected an upturn by the end of the year.

However, Mr Perry was cautious about prospects in Britain, where there was no sign of any improvement in trading conditions and volume growth remained difficult.

He said sterling's departure from the exchange rate mechanism last autumn was "inevitable and desirable" and would help Unilever's British plants to compete more effectively. But he foresaw no rapid, large-scale shift in sourcing to the UK.

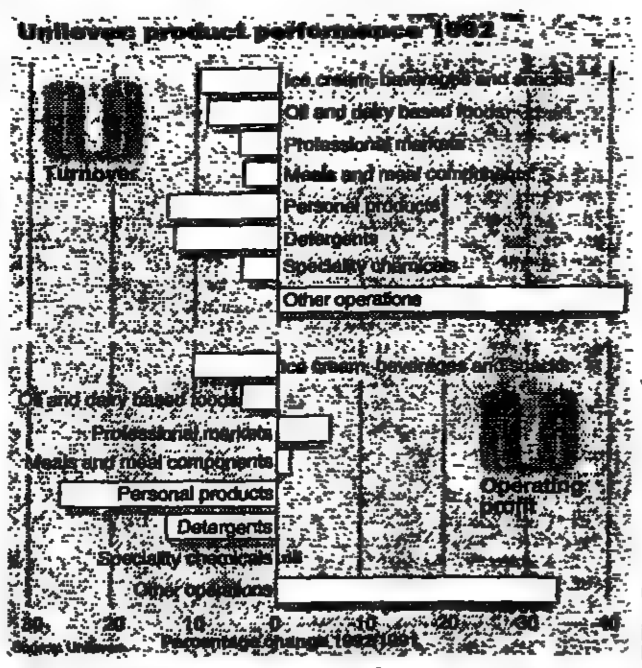
In the US, operating profit recovered strongly after a poor 1991, from £336m to £385m on sales up from £4.77bn to £4.85bn. Margins improved from 7 per cent to 7.9 per cent.

Mr Perry said the US food business had enjoyed strong volume and profit increases, although Ragu spaghetti sauce had suffered from fierce price competition.

Prestige perfumes and personal products did well in the US, but mass markets proved difficult although demand began to pick up by the end of the year.

Unilever acquired 22 businesses last year for a total of about £310m, which will add $440m to sales on a full-year basis. It made 21 disposals, which raised about £210m excluding the proceeds from 4P, most of which were received in January last year.

Unilever product performance 1992



Polish expansion as ice cream producer bought

By Christopher Bobinski in Warsaw

UNILEVER has announced the purchase of Roma, a privately owned Polish ice cream producer, in the first deal of its kind in the country.

The price was undisclosed, but Unilever is planning a $17.5m (£12m) expansion programme after buying out the majority of the factory's private owners and the Eastern European Development Fund (EEDF), managed by Invesco CEAM, which held a 31.3 per cent share in the plant. Unilever will also be covering Roma's capital investment debts.

The EEDF saw Unilever pay some $3.3m for its initial $2.3m investment in the project made less than a year ago.

Roma is located near Gdansk on the Baltic Coast and employs 60 people – it has a current daily production capacity of 15 tonnes of ice cream. Unilever has been importing its Cornetto, Viennetta and Magnum varieties under the Algida name.

£5m profit forecast by David Lloyd

By Richard Gourlay

DAVID LLOYD Leisure, the tennis and fitness club which is coming to the market, is forecasting that pre-tax profits will rise from £3.01m in the year to October 1992 to more than £5m this year.

The profits growth follows the introduction of five new clubs during 1992 to add to the four existing centres opened since the former Davis Cup tennis player started the company in 1982.

During the 1993 financial year David Lloyd Leisure expects to open no new centres. In December, however, it added a 20-lane bowling alley to its existing centre at Raynes Park and will accrue 10 months' benefit from it this year.

Mr David Gray, finance director, said the uptake of memberships in January had exceeded targets.

After the flotation, which will value the group at about £50m, Mr Lloyd, chairman, said the group would be in a position to open two centres a year from the proceeds of the float, the strong cash flow and existing bank facilities.

Operating profit for 1993 is forecast to be up 33 per cent to at least £6m, on sales up 15 per cent at £18m, while the return on sales is expected to increase to more than 33 per cent.

After the float the group is expected to have debt of about £6m and gearing of about 15 per cent. The issue will be priced on March 4 and trading begin on March 18. Flemings is adviser and broker.

BPB shares fall after dividend cut revealed

By Andrew Taylor, Construction Correspondent

THE SHARE price of BPB Industries, Europe's biggest plasterboard manufacturer, fell sharply yesterday after the company revealed plans to cut dividends by a third for the year to March 31.

Following the announcement, the group's share price fell by 7 per cent to close 17p down at 217p, wiping more than £84m off the company's stock market value.

The dividend forecast accompanied the latest euroconvertible bond to be announced by a British company.

BPB has raised £64m from a 15 year subordinated bond with a coupon of 7.25 per cent.

The bonds are convertible into 24.8m new ordinary shares at 258p apiece, representing just under 5 per cent of BPB shares currently in issue.

BPB's share price had risen by 90 per cent since last September following the end of a bitter European price war between the three largest plasterboard producers: BPB, Lafarge Coppee of France and Knauf of Germany.

Plasterboard prices in Britain have risen by about a fifth since the beginning of last year.

Prices in France have increased by about a quarter and in Germany by about 15 per cent over the same period, according to BPB.

Mr Mark Stockdale, construction analyst with Warburg Securities, said the decline yesterday in BPB's share price was "due to some investors switching out of BPB ordinary shares into the higher yielding bonds. There was also some concern about falling plasterboard sales in France."

Mr Stockdale said there may have been pockets of disquiet over the extent of the dividend cut, even though most people had been expecting it.

Mr John Maxwell, BPB's chief executive, said that the company was taking advantage of the recent strength of its share price and low interest rates to improve its borrowing profile.

Proceeds of the issue would be used to redeem short-term debt payable within 18 months, which as a proportion of the total loan portfolio would fall from 66 per cent to 40 per cent.

Net debt of £266m currently was equivalent to 38 per cent of shareholders' funds. Gearing, however, would fall slightly as a result of the issue.

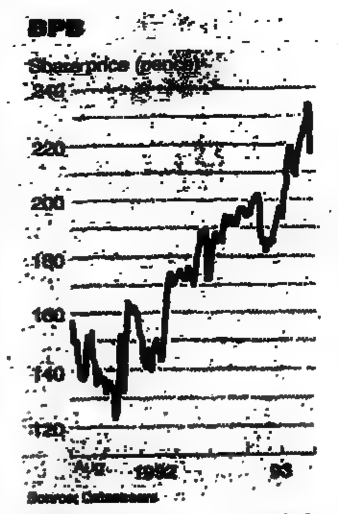
The company said that it intended to pay a final dividend of 4.8p for the year to the end of March, compared with 7.25p at the corresponding stage last year.

This follows a reduction in the interim dividend from 4p to 2.7p, announced in November.

Mr Maxwell said: "Directors felt that it would not be prudent, given the uncertain outlook for continental European markets in particular, to have an uncovered dividend. We were required to make a forecast with the issue."

He said that volume sales which had been 8 per cent higher at the half year were expected to have risen by only two or three per cent for the year as a whole following a fall in French sales during the second half.

BPB



Regent Inns seeks full listing to raise funds

By Andrew Adonis

REGENT INNS, the pubs chain, is to seek a full listing to raise new funds, after yesterday reporting a sharp rise in interim profits.

Regent, an ex-Business Expansion Scheme company, reported pre-tax profits of £603,500 for the six months to January 2, against £371,390, after a £9,400 profit (£30,865 loss) on disposal of fixed assets.

Turnover was £6.47m (£6.17m). Earnings per share were 5p (2.5p) and a maiden interim dividend of 2.25p is declared.

The full listing, to be sought at the end of April, is intended to raise about £5m. The company's capitalisation was nearly £12m when its shares were suspended last week. Year-end gearing stood at 56 per cent.

Mr Clive Watson, finance director, said the flotation would enable the group to expand its pubs business. "It will also provide shareholders with a better market for their shares and provide greater liquidity," he said.

Regent Inns operates 36 pubs, hotels and restaurants, mainly in London and the home counties. Its largest new venture in the period was Dingwall's Building at Camden Lock, north London.

Admiral advances to £3.99m

Admiral, the Surrey-based computing services company, returned profits before tax of £3.99m for 1992, a 15 per cent increase on the previous £3.47m, despite intensifying competition and a commercial environment showing no signs of improvement.

Turnover rose from £26.1m to £30.9m. Earnings per share were 24.2p (21.9p); a final dividend of 3.7p is recommended for a total of 5.4p.

Mr Clay Brendish, chairman, said the company had performed well in all its business areas, although the emphasis had changed markedly. Financial services constituted the company's largest market, accounting for 34 per cent of turnover, but the proportion of business coming from the commercial and industrial sectors doubled to 22 per cent.

Scottish Amicable cuts bonus

By Philip Coggan, Personal Finance Editor

Scottish Amicable, the mutual life insurance company, has made one of the biggest cuts in bonus of the current season.

The Glasgow-based group has reduced pay-outs on 10 year with-profits policies by more than 15 per cent.

Mr Roy Nicholson, managing director, said that the cuts were caused by the group's investment focus on small company shares, which had suffered particularly badly in the recession.

The pay-out on a 10 year policy is being reduced from £7,331 to £6,174 (based on a male, aged 29 at outset, paying £30 per month in premiums).

However, the poor investments returns earned in recent years have much less effect on longer term policies. Scottish Amicable is cutting pay-outs on 25 year policies by just 4.7 per cent, from £62,543 to £59,602.

The pay-outs represent annual returns of 10.4 per cent for the 10 year policies and 13 per cent for 25 years.

Although the stock market rose in 1992, most life companies are cutting pay-outs.

PEOPLE

Thorpe picks Imro over SFA

Top jobs at City regulatory institutions have been much on offer recently – with the Securities & Investments Board and three self-regulatory organisations, Imro, the SFA and PIA, the controversial new retail financial services SRO, all looking for chief executives in the past month or two.

Following SFA boss John Young's appointment to SIB, Phillip Thorpe, deputy chief executive of the securities and futures industry SRO, and widely regarded as a strong candidate to replace Young, has decided to take up the seat at Imro that falls vacant on the retirement of John Morgan.

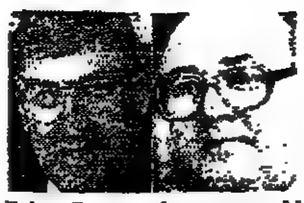
Thorpe (right) who, since October, has been working on the Large review of the workings of SIB to be presented to the chancellor next month, says it was the "element of reconstruction" that attracted him. "I am not saying that there hasn't been a lot of work done at Imro in the wake of the post-Maxwell soul-searching. But there is still considerable capacity to be added. And then there is the key part, which is making it all work."

A straight-talking New Zealander, whom industry observers hope will inject a breath of fresh air into the sometimes clubby and inward-looking world of money management, Thorpe, 38, had spent a year before his current assignment on secondment from the SFA to London FOX following the discovery of irregularities at the exchange.

He acknowledges that most of his experience, in London and Hong Kong, has been in legal and regulatory posts involving securities and futures broking – one reason for accepting the challenge of Imro rather than courting the SFA position – but he says he reminds his new parishioners that he was also chairman of the unit trust and mutual fund committee in Hong Kong in the late 1980s.

Adds Charles Nunneley, Imro's chairman: "We wanted someone who would work with a firm hand. We would have preferred to go for a practitioner and we saw one or two but we decided in the end on the best person for the job."

Morgan, 61, who had previously managed the British Rail Pension Fund, steps down in July.



Brian Pearse, the 59-year-old chief executive of Midland Bank, has picked up his first non-executive directorship. He joins the board of Smith & Nephew, the 137-year-old healthcare group on March 1.

Pearse (right), who started his banking career with Liverpool's Martins Bank in 1950, is one of two new non-execs. He is joined by Sir Anthony Cleaver, 54, (left), who is chairman of IBM UK and a director of General Accident.

S&N, whose earnings have fallen for the past couple of years, has been regarded as one of the more paternalistic companies in its sector with its board dominated by "Smith & Nephew men". However, Eric Kinder, who took over as chairman in May 1990, has been bringing more non-executives on to his board and says that he has now reached his target of a 50/50 balance between execs and non-execs.

S&N is a big fan of Pro-Ned, the Bank of England-backed organisation that promotes non-executives. Kinder says it has no "vested interest"; it just puts "good people in touch with good companies".

Sir Francis Kennedy, who has been on the board since 1988, was found through Pro-Ned, as was Nancy Lane, a microbiologist at Oxford University, who joined in October 1991. Sir Anthony also came via Pro-Ned. However, Pearse was introduced to S&N by Sir Francis Kennedy some years ago and it has been keen to recruit him for some time.

Kinder says he did not want to recruit "good" non-execs *per se* but was keen that they have different areas of expertise.

■ Peter Hedges, who stepped down as chairman of Taylor Woodrow's property division last September, has resurfaced as a non-executive director of Ward Holdings, the Kent-based housebuilder which has been one of the companies hardest hit by the slump in housebuilding in the south-east.

Hedges, 49, joined Taylor Woodrow in 1966 as a development surveyor and was appointed a member of the board in 1986. As chairman of Taylor Woodrow Property he was responsible for a number of big property developments in the UK and overseas. There has been a considerable reshuffle at the top of Taylor Woodrow over the last year and some analysts speculated that Hedges quit because he may have been passed over for the top job.

He joins the board of the family-controlled Ward Holdings as it is starting to recover from the severe slump in the industry. It lost £5.3m last year and passed its final dividend. Apart from a directorship of TransEuropean Properties, Hedges has been working as a consultant for Bankers Trust and various firms of liquidators since he quit TW.

■ Graeme Wall, who has particular responsibility for the Anglian operation, has been appointed to the main board.

■ Colin Young has been appointed UK general manager of AIR EXPRESS INTERNATIONAL (UK).

■ John Burrows, md of FMC process additives division, has been appointed chairman of FMC CORPORATION (UK).

■ Timothy Grimes has been appointed company secretary of EVERED BARDON on the resignation of David Kaye.

■ Giselle Slater has been appointed md of Portland Holidays, part of THOMSON; Peter Rothwell has been appointed sales director of Thomson Tour Operations.

■ Robert Caban, finance and administration director of Osram Italy, has been appointed md of OSRAM'S UK operations on the retirement of Alan Mills.

■ Steven Rogers, sales director of HI-TEC Sports UK, and Derek Watson, company secretary, have left the main board.

■ Rupert Thompson, formerly brand director of the Carling Group, has been appointed commercial director of MORLAND & Co.

■ Paul Hooper has been appointed md of William Lawrence, a BTR company.

■ Peter Strong, chief executive of EMAP's newspaper division, has been appointed to the board.

■ Bob King, formerly md of Pilkington Aerospace, has been appointed chief executive of PILKINGTON's special glass division; Peter Molineux becomes director and general manager of Pilkington Aerospace.

■ Jeremy Lancaster has been appointed finance director and Fred Warner human resources director of Hunter Timber Group, part of WICKES.

■ Ian Edmondson has been appointed md of the speciality resins division of BIP Chemicals, part of T&N.

■ Denise Jagger, formerly a partner at Booth & Co, has been appointed company secretary and corporate counsel at ASDA GROUP.

■ Colin Trusler, chairman and chief executive of Shandwick Consultants, is appointed md of SHANDWICK UK.

■ Henry Heavisides, formerly general manager of Laura Ashley by Post, has been appointed md of the UK operations of LANDS' END.

■ Andrew Glasgow, formerly md, has been appointed chairman of NORTH WEST WATER INTERNATIONAL.

■ Mike Upton, formerly European trade development director of Reckitt & Colman, has been appointed md of CARTERS GOLD MEDAL SOFT DRINKS.

■ Eileen Gallagher, a member of ITV's broadcast board, has been appointed a director of SCOTTISH TELEVISION.

More non-execs

■ Nigel Stapleton finance director of Reed International, at ALLIED-LYONS.

■ Graham Ross Russell, chairman of Emap, at F&C Pep INVESTMENT TRUST.

■ George Slater as chairman of BROCKHAMPTON HOLDINGS AND PORTSMOUTH WATER on the retirement of John Glanville, who nevertheless remains a director.

■ Derek Davies at MAGNOLIA GROUP.

COMPANY NOTICES

Continental (Bermuda) Limited
US$ 250,000,000
Floating Rate Notes due 2006
Guaranteed by
Hungarian Foreign Trade Bank Ltd

Notice is hereby given that as at the valuation date 8th February 1993, the value of the zero-coupon obligations (or certificates representing interests in obligations) of the United States of America was US$99,519,400.00 and the value of the Company's reserve fund was US$59,864,823.73. The aggregate value of the Noteholders security was thus 63.67 per cent of the principal amount of the Notes outstanding at the valuation date

The determination and publication of these figures is solely for the convenience and information of the Noteholders and shall not be binding for any purpose on the Trustee or the Reserve Fund Manager or the Reserve Fund Reporting Agent nor shall it be taken as recommendation on the part of the Company, the Valuation Agent the Guarantor, the Trustee, the Reserve Fund Manager or the Reserve Fund Reporting Agent to buy, sell or hold investments similar to the zero-coupon obligations of the United States of America or the Reserve Fund Investments.

Valuation Agent
GiroCredit Bank Aktiengesellschaft der Sparkassen, London Branch

Notice of Redemption
To Bearer Holders of

Aluminum Company of America

6¼% Convertible Subordinated Debentures due 2002

NOTICE IS HEREBY GIVEN that Aluminum Company of America (the "Company") pursuant to Articles One and Eleven of the Indenture dated as of May 27, 1987 (the "Indenture") between the Company and Bankers Trust Company, as Trustee, has elected to redeem ALL of its outstanding 6¼% Convertible Subordinated Debentures Due 2002 (the "Securities") on March 26, 1993 (the "Redemption Date"). The Redemption Price will be 103% of the principal plus accrued interest to the Redemption Date for a total payment (including accrued interest and premium) of $5,409.55 for each $5,000 of principal amount. Interest on the Securities will cease to accrue on and after the Redemption Date.

In accordance with the terms of the Securities and the Indenture, at the option of the Holder, the Securities are convertible into fully paid and non-assessable shares of common stock of the Company ("Common Stock"). Holders who elect to convert their Securities will receive one share of Common Stock for each U.S. $72.00 principal amount of Securities converted. This conversion right will terminate at the close of business on the Redemption Date. Neither accrued interest nor premium will be payable on any Security which is converted.

The place or places where the Securities together with all unmatured coupons appertaining thereto, if any, are to be surrendered for payment of the Redemption Price and accrued interest, or may be surrendered for conversion are: in England: Bankers Trust Company, Corporate Trust and Agency Group, 1 Appold Street, Broadgate, London EC2A 2HE, England; in Switzerland: Credit Suisse, 8 Paradeplatz, 8001, Zurich, Switzerland; in Luxembourg: Banque Indosuez Luxembourg, 30 Allee Scheffer, L-2520 Luxembourg, Luxembourg.

Each Holder of the Securities is urged to consult his or her own tax advisor as to the particular tax consequences of the conversion or redemption to such Holder, including the applicability and effect of United States Federal, state, local and other tax laws.

By: Aluminum Company of America

Dated: February 24, 1993

Oil prices reach 3-month highs in Opec 'honeymoon'

By Deborah Hargreaves

WORLD OIL prices broke through $19 a barrel yesterday for the first time since November following an increase in price of $1 a barrel over the past two days.

The price of North Sea Brent crude for April delivery closed up 35 cents yesterday at $18.95 a barrel – after earlier rising above $19 – as the market enjoyed a honeymoon period after last week's agreement by the Organisation of Petroleum Exporting Countries to slash output to 23.58m barrels a day from 25m in January.

Traders at major oil companies say they have been told by Saudi Arabia and Abu Dhabi that they will be cutting sales of oil from March, but have yet to see any concrete evidence that other members are prepared to cut back.

The market is waiting to see if Kuwait, Iran and Nigeria will be cutting back on deliveries. "People will have to be turned away from the door – if that happens it will be extremely bullish for oil prices," said one oil company trader.

But without proof that other countries are beginning to trim their output, oil prices could collapse. Kuwait has already warned that it will respond if other members cheat on their production allocations. The emirate was squeezed very hard by other countries to trim production to 1.6m b/d.

Demand will not come to the rescue as it remains patchy and weak – US consumption in January was flat and Europe's was very depressed.

Mr Geoff Pyne, analyst at UBS Phillips & Drew, believes the market can absorb some leakage from the Opec deal – to take about 24.2m b/d with prices averaging $19 a barrel for the second quarter. "But there are risks on the downside and there is a possibility the whole thing could unravel."

Norwegian production forecast to grow more slowly

By Karen Fossli in Oslo

NORWAY WILL set another record for crude oil and natural gas liquids production this year but growth will be much slower than that achieved in 1992, according to a report by Edinburgh-based analyst Wood Mackenzie.

WoodMac forecasts that oil/ngl production will increase by about 3 per cent to a daily average of 2.28m barrels, following a 14 per cent surge in 1992 to a daily average of 2.22m barrels.

The analyst predicts that production in the fourth quarter of this year will soar to about 2.5m barrels a day as five new fields are brought on stream.

Last year the Norwegian share of total North Sea crude oil production reached 53 per cent, making it western Europe's biggest oil producer for the second year in a row, following 11 consecutive years of growth.

Total North Sea output will rise to an all-time high of 4.38m b/d this year, the analyst forecasts, from 4.22m b/d in 1992.

WoodMac says the net effect of bad weather in January and February, which hindered oil tanker loading operations, deferred production of about 7m barrels of oil from Norway's Statfjord, Gullfaks and Snorre fields.

It forecasts that Norwegian production will advance to 2.39m b/d in April and retreat to an expected low of 2.06 b/d in June when scheduled maintenance work is under way. Maintenance shutdowns are likely defer production of about 19m barrels of oil/ngl, compared with 20m barrels in 1992.

WoodMac says a notable feature of 1993 will be a 50 per cent increase by the end of the year in Norway's ngl/condensate production, which will hit a record 150,000 b/d, when the Sleipner East, Loeke and Lille Frigg fields come on stream.

Indonesian nickel ouput to remain low

By William Keeling in Jakarta

INTERNATIONAL NICKEL Indonesia (PT Inco), one of the world's major nickel producers, will operate significantly below its installed capacity in 1993 for the fourth year running, the company admitted yesterday.

Mr Thomas Sitepu, the company's vice president, said that the second of three furnaces at its Sulawesi plant was being overhauled and would be closed until mid-year.

He said production this year would be marginally higher than 1992's total of 80.1m lb (36,350 tonnes) of nickel in matte but below the plant's nameplate capacity of 100m lb. Industry officials forecast PT Inco's 1993 production at about 83m lb.

Mr Sitepu said the company would operate at full capacity in 1994 but warned the third furnace would need overhauling in 1995, again limiting output.

PT Inco, with its own hydro-electric power plant, remains one of the world's cheapest nickel producers, able to break even at a price of $2.45 a lb. Nickel prices last year averaged $3.38 a lb and the company made a $36.1m net profit, down from $57m in 1991.

"We run the company well but if the nickel price drops, what can I do?" said Mr Sitepu, who painted a grim picture of the world nickel industry.

He forecast that world supply – including exports from Commonwealth of Independent States, China and former Comecon countries – would drop by less than 100m lb from last year's 1.5bn lb. With the nickel price languishing at about $2.81 a lb, the closure of higher cost mines would continue, he suggested.

World demand (excluding the CIS, China and former Comecon countries) totalled 1.4bn lb last year, down from 1.525 lb in 1991, while stocks of more than 180m lb in London Metal Exchange registered warehouses were "very high", he said. Cuts in defence spending would continue to hurt the industry as weapons manufacturers were big consumers of nickel.

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+3,325	to 1,663,675
Copper	+7,675	to 327,100
Lead	−125	to 234,300
Nickel	+786	to 82,950
Zinc	+3,925	to 660,525
Tin	+725	to 17,860

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,665-1,710 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.20-2.40 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.35-0.45 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 15.75-16.40 (15.50-16.00).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 120-145 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 1.90-2.00 (1.80-1.95).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.70-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 37-47 (38-48).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.65-1.70 (1.60-1.70).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.65 (same).

China becomes biggest user of gold

By Kenneth Gooding, Mining Correspondent

CHINA EMERGED as the world's largest gold consuming country last year, according to estimates from the American Precious Metals Advisors consultancy organisation.

It suggests China may have consumed more than 800 tonnes of gold or 26m troy ounces in 1992.

APMA says in its latest MetalsFAX newsletter that China probably imported 500 tonnes to satisfy demand from private gold consumers and another 85 tonnes of domestic gold production was also absorbed. China's central bank possibly bought another 300 tonnes, either for additions to its reserves or to help satisfy raging domestic demand, the newsletter says.

Mr Jeffrey Nichols, managing director of APMA, says some market observers are sure that a substantial part of the 400 tonnes of gold disposed of by the Dutch central bank last autumn was taken by China's central bank – perhaps 150 to 200 tonnes (4.8m to 6.4m ounces).

He estimates that central bank net gold sales last year reached 650 tonnes. In addition to Holland, the big sellers were Belgium (202 tonnes) and Canada (about 100 tonnes). Other sellers included Iraq and Abu Dhabi, both making "distress sales", according to Mr Nichols. Iraq sold about 175 tonnes to keep its economy going while Abu Dhabi sold 125 to 150 tonnes to cover its losses in the Bank of Credit and Commerce International, APMA suggests.

It says that, apart from the central bank sales, downward pressure was put on the gold price in 1992 – pushing the price to its lowest level in seven years – by disposals by the former Soviet Union and short sales by speculators.

On the other hand, investors are estimated to have bought about 1,000 tonnes of gold last year compared with 620 tonnes in 1991 and 435 tonnes the year before. This is "in stark contrast to the myth presented over and over again in the media that investors are disinterested in gold and that dishoarding is driving down the metal's price", Mr Nichols points out.

APMA estimates that the total supply of gold to the market last year – from the mines, from net central bank sales, producers' forward sales and scrap – was about 3,750 tonnes (up from about 3,140 tonnes in 1991) while some 2,634 tonnes (2,380 tonnes) was absorbed by jewellery fabricators, industrial consumers and in coinage.

MetalsFAX, US$6,000 a year from APMA, 977N North Avenue, Burlington, VT 05401, US.

Supply and demand for gold in 1992 (million troy ounces)

Production		Consumption	
Mine output	58.4	Jewellery	76.0
Forward sales/loans	9.0	Industrial	8.7
Other short sales	10.0	Net private investment	36.1
Official sales	20.9		
Old scrap	7.5		
Eastern bloc sales	15.0		
Total	120.8	Total	120.8

Source: APMA

Rawlings hails Ghanaian mine project

By Paul Adams

AT THE official opening of Iduapriem, Ghana's newest gold mine, yesterday President Gerry Rawlings hailed the development as another success for his liberalised mining investment laws, which have attracted $900m of new capital and quadrupled the country's gold production since 1986.

The place where the president made his speech was until two years ago a remote patch of thick forest in the western region, some 300 km (185 miles) west of Accra. The mine is owned and operated by Ghanaian Australian Goldfields, a joint venture between the International Finance Corporation (20 per cent) the Ghanaian government (10 per cent) and Golden Shamrock Mines (68.95 per cent), the Australian group controlled by Mr Oren Benton's Denver-based Concord group which trades 70 per cent of the world's uranium.

After an initial investment of $10m by GAG, the IFC connection enabled it to develop Iduapriem with a $55m loan from a syndicate made up of the Swiss Banking Corporation, NIG bank of the Netherlands, the European development agencies DEG and FMO and Ecobank, the West African regional trade bank. It started production last September and is producing gold ahead of its target rate of 120,000 troy ounces a year, worth about $40m at today's prices.

The ceremony at Iduapriem marked another step in the development of Ghana's mineral resources, which are concentrated in the Western and Ashanti regions. Once known as the Gold Coast, this area's wealth had declined since independence because of inadequate funding until a new mining investment law in 1986 began to bring back foreign capital and expertise. In the past five years, Ghana's annual gold production has increased from 250,000 ounces to more than 1m ounces, and even at today's depressed price of about $330 an ounce gold has overtaken cocoa as the country's principal export.

Mr Kwami Prepreh, the acting Minister of Energy and Mines said that the government aimed to double production to 2m a year by 1997.

Sales were up last year in both value and volume, writes **Terry Hall**

NZ fish exports thrive in the cold

IN SPITE of the worst weather for decades, New Zealand's fish exports thrived last year. The Fishing Industry Board published figures this month showing that in the year to December 31, earnings surged 26.7 per cent to a record NZ$1.2bn (£430m).

The optimism raised by the growing importance of New Zealand fish exports has been dampened in recent weeks, however, by the nationwide ban on the taking of shellfish imposed because of the appearance of an as yet unidentified strain of algal bloom.

For the first time New Zealanders have been brought face to face with the vulnerability of the fishing industry: until the present outbreak algal infections were unknown, and the country prided itself on its clean coastal waters. While the algae affect only shellfish the fishing industry is concerned that overseas buyers may be put of New Zealand fish in general.

This month's figures show the vibrant state of the industry, which is a growing employer with thousands now engaged in processing fish for export. Export earnings rose month by month, even in the harsh stormy winter months when bitterly cold temperatures reduced fish numbers and kept boats in port. Fishing Industry Board figures for the year to December 31 show that the exports of fin fish totalled 204.6m tonnes, a 5 per cent rise from 1991. And the f.o.b. value rose up 28.5 per cent to NZ$855.28m from 1991's NZ$665.82m. Earnings for rock lobster, much of which is exported live to Japan and the US, slipped in the last quarter, however, because of recessionary trends and lower catches. The total amount exported of live, whole, and processed rock lobster, known as crayfish in New Zealand, fell 1.5 per cent to 2,792 tonnes; and its value was down 0.4 per cent at NZ$101,441,462.

There was a remarkable boom in squid catching: helped by weather conditions that were harsh on other species. Cold weather and strong currents from Australia apparently boosted the amount of nutrients in the water, to the squid's advantage. The squid catch for the year to December was up 59 per cent 44,696 tonnes, which fetched 44.3 per cent more at NZ$80.14m.

The economic loss caused by the temporary closure of the mussel industry is shown by the increasing production of recent years. In the year to December 31 the value of mussel exports rose 26.3 per cent to NZ$48.5m on a 22.2 per cent increase in tonnage produced.

New production of scallops led to a 33.7 per cent increase in value to NZ$20m. But this was on a production increase of 66.8 per cent to 1,000 tonnes. The new production, mainly from Golden Bay, at the tip of the South Island, has led to a halving in prices to about NZ$20 a kilogram.

While the remarkably cold water temperatures encouraged the squid, other varieties far less enthusiastic, especially the important white fish variety hoki, which is now exported in large quantities to Britain, Europe and the US.

In the peak fishing month of August only 5.94m tonnes were landed, compared with 13.1m tonnes in the same month in 1991. However hoki exports earned more 32.1 per cent more last year, at NZ$423m, thanks to a 20 per cent increase in the amount sold in frozen filleted form.

British agricultural land goes down-market

By David Blackwell

UK AGRICULTURAL land prices are proving increasingly attractive to European buyers since the country left the ERM, according to Savills, the UK property consultants.

Values have retreated by 15 per cent since September as far as foreign buyers are concerned. In sterling terms prices are about a third below the peak of 1988-89.

In its second annual European land report Savills estimates that average high quality arable land in England and Wales is worth £2,000 an acre, compared with £2,700 an acre last year. The country is now level pegging with France, where similar land last year was worth £1,400 an acre. French land has traditionally been cheaper than English as there are 2.4 acres per head of population in France compared with 1 acre in the UK.

Austrian land of similar quality is the most expensive in Savills' survey at £7,800 an acre, while Spanish is at the bottom of the scale at £1,000.

Mr Justin Marking, director of Savills Europe, said yesterday that because of economic recession European prices were no longer distorted by non-agricultural buyers. He estimated that European enquiries for UK farm land had risen this year by between 15 and 20 per cent.

WORLD COMMODITIES PRICES

MARKET REPORT

London COCOA futures finished just below a three-month high, boosted by active industry demand which helped to absorb some Ivorian selling. Dealers said there was good two-way business in nearby Ivorian cocoa at between FF600 and FF605 per 100 kilos. Some estimated that about 20,000 to 25,000 tonnes might have been traded during the day. New York raw SUGAR prices touched contract highs in early trading, touching buy stops and encouraging speculative buying. PLATINUM drifted lower on the London bullion market on continuing bearish technical factors. But it continued to hold initial support after very volatile trade and a $16 range seen in Tokyo overnight. Analysts said that while Monday's sharp plunge in platinum and PALLADIUM might have condemned both metals to a renewed period of base building, they had held crucial support areas and should avoid a further free-fall. One pointed out that both markets were short, as indicated by firm lease rates.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Apr)		+ or -
Dubai	$16.54-6.59	+.225
Brent Blend (dated)	$18.91-8.93	+0.30
Brent Blend (Apr)	$18.86-8.88	+0.28
W.T.I. (1 pm est)	$20.43-0.47	+.275
Oil products (NWE prompt delivery per tonne CIF		**+ or -**
Premium Gasoline	$195-197	+3
Gas Oil	$177-178	+2
Heavy Fuel Oil	$73-74	+1
Naphtha	$175-177	+3
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$329.70	-1.05
Silver (per troy oz)♣	357.5c	-1.0
Platinum (per troy oz)	$345.10	-3.4
Palladium (per troy oz)	$102.65	+1.35
Copper (US Producer)	104.0c	
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	14.69r	-0.03
Tin (New York)	265.5c	-0.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	126.06p	+3.41*
Sheep (live weight)†♣	112.01p	+7.02*
Pigs (live weight)†	82.16p	+0.42*
London daily sugar (raw)	$240.0	+6.0
London daily sugar (white)	$270.0	+4.5
Tate and Lyle export price	£275.0	+6.5
Barley (English feed)	£140.0z	
Maize (US No. 3 yellow)	£165.0	
Wheat (US Dark Northern)	Unq	
Rubber (Apr)♥	67.00p	
Rubber (May)♥	67.50p	
Rubber (KL RSS No 1 Feb)	230.5m	
Coconut oil (Philippines)§	$437.5y	-5.0
Palm Oil (Malaysian)§	$430.0z	-2.5
Copra (Philippines)§	$275.0	-5
Soyabeans (US)	£182.0u	-1.0
Cotton "A" Index	61.70c	-0.25
Wooltops (64s Super)	395p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Apr/May u-Feb/Apr. x-Aug w-Feb/Mar z-Mar. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	198.00	198.00	198.00	
May	220.00	212.00	213.00	
Aug	224.00	214.00	215.00	
Oct	208.00		202.00	
White	**Close**	**Previous**	**High/Low**	
May	270.00	268.50	273.50	268.20
Aug	270.90	268.50	273.00	268.00
Oct	253.00	252.00	258.00	252.80
Dec	251.90		253.00	
Mar	250.90		251.80	
May	253.90		255.30	

Turnover: Raw 58 (231) lots of 50 tonnes. White 2618 (1297) Paris- White (FFr per tonne): May 1513.09 Aug 1541.77

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Apr	18.84	18.65	19.07	18.70
May	18.97	18.69	19.10	18.79
Jun	18.92	18.78	19.13	18.92
Jul	18.96	18.80	19.18	18.95
Aug	19.04	18.83	19.17	19.02
Sep	19.02	18.89	19.25	19.02
Nov	19.25	18.96	19.25	19.29
IPE Index	18.55	18.08		

Turnover 33000 (29806)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Mar	173.75	171.75	175.00	171.75
Apr	173.75	171.50	175.00	171.50
May	173.25	171.75	175.00	171.75
Jun	173.50	171.75	174.75	173.50
Jul	175.00	173.25	175.75	174.75
Aug	176.50	175.00	177.75	176.50
Sep	178.25		178.50	

Turnover 10929 (10062) lots of 100 tonnes

JUTE

Liverpool- Spot and shipment sales amounted to 144 tonnes for the week ended February 19, compared with 457 tonnes in the previous week. Fair offtake ensued with renewed interest in Mali qualities.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Mar	744	730	747	738
May	755	738	758	740
Jul	767	752	768	753
Sep	777	768	780	765
Dec	788	780	787	782
Mar	813	799	813	800
May	825		827	
Jul	840		830	
Sep	853	839	857	

Turnover: 13110 (5694) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 23 740.96 (736.89) 10 day average for Feb 22 726.02 (722.45)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Mar	962	982	988	965
May	949	953	955	944
Jul	918	926	924	910
Sep	921	936	929	920
Nov	931	947	934	
Jan	946	957	950	

Turnover 2555 (2207) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 22: Comp. daily 58.09 (58.39) 15 day average 57.17 (56.86)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	43.5	43.0	44.0	43.0
May	45.5	45.0	45.5	45.0
Apr	94.5	93.0	94.5	93.0

Turnover 91 (84) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Jun	-	142.30	

Turnover 8 (178) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Mar	1375	1365	1380	1375
Apr	1384	1365	1390	1380
Jul	1190	1200	1190	
BFI	1375	1373		

Turnover 169 (132)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Mar	143.45	142.75	143.45	143.20
May	145.85	144.75	145.85	145.20
Jun	146.85	145.70	146.85	146.25
Sep	110.25		110.25	
Nov	112.20	111.65	112.25	112.00
Barley	**Close**	**Previous**	**High/Low**	
Mar	141.00	138.75	141.00	138.50
May	142.25	140.15	[illegible]	[illegible]
Sep	108.00		108.00	
Nov	111.00	110.65	111.00	

Turnover: Wheat 390 (96), Barley 52 (118).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jul	104.0		104.0
Aug	104.0	104.0	104.0
Sep	104.6	104.5	104.0

Turnover 5 (8) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 21,432 lots
Cash	1199-200	1202.5-3.5		1197-7.5		
3 months	1221-2	1224-4.5	1222/1219	1219-9.5	1220.5-1	160,826 lots
Copper, Grade A (£ per tonne)						Total daily turnover 37,084 lots
Cash	1508.5-9.5	1520.5-1.5	1515.5	1515-5.5		
3 months	1533.5-4	1546-6.5	1546/1531	1540.5-1	1533-4	180,459 lots
Lead (£ per tonne)						Total daily turnover 2,944 lots
Cash	281.5-2.5	283.5-4.5		280.5-1		
3 months	291-2	293-3.5	291/290	290.5-1	291-2	18,038 lots
Nickel ($ per tonne)						Total daily turnover 10,504 lots
Cash	6170-80	6200-5	6170	6170-5		
3 months	6235-40	6261-5	6270/6200	6225-30	6235-70	40,298 lots
Tin ($ per tonne)						Total daily turnover 1,275 lots
Cash	5730-40	5735-65		5735-40		
3 months	5795-800	5820-5	5815/5795	5795-800	5795-800	8,131 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 12,884 lots
Cash	1059.5-60.5	1062-4		1059-9		
3 months	1078.5-9	1081-3	1080/1078	1078-8.5	1078-80	61,572 lots

LME Closing £/$ rate:
SPOT: 1.4590 3 months: 1.4459 6 months: 1.4416 9 months: 1.4364

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	329.60-329.80	
Opening	329.10-329.60	
Morning fix	329.20	228.457
Afternoon fix	329.60	228.695
Day's high	329.90-330.20	
Day's low	328.60-329.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.58	6 months	2.47
2 months	2.54	12 months	2.47
3 months	2.51		

Silver fix	p/troy oz	US cts equiv
Spot	246.00	358.00
3 months	248.65	360.75
6 months	253.00	363.75
12 months	259.25	370.00

GOLD COINS

	$ price	£ equivalent
Krugerrand	329.00-332.00	228.00-229.00
Maple leaf	339.10-341.30	-
New Sovereign	78.50-81.50	54.00-56.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Apr	Jul	Apr	Jul
1175	49	74	8	22
1225	13	39	24	39
1275	3	21	65	57
Copper (Grade A)	**Calls**		**Puts**	
2100	113	133	3	13
2200	37	65	26	44
2300	5	25	94	102
Coffee	**May**	**Jul**	**May**	**Jul**
900	74	69	25	50
950	46	43	47	80
1000	28	29	79	116
Cocoa	**May**	**Jul**	**May**	**Jul**
725	50	67	28	25
750	35	52	30	36
775	25	40	45	49
Brent Crude	**Apr**	**May**	**Apr**	**May**
1800	110	-	12	25
1850	60	-	20	-
1900	30	58	38	50

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	331.7	326.2	331.3	330.3
Mar	330.9	328.1	0	0
Apr	331.6	328.8	331.9	330.2
Jun	332.9	330.1	333.0	331.4
Aug	334.1	331.4	334.5	[illegible]
Oct	335.5	332.8	335.2	334.7
Dec	336.9	334.2	337.4	336.2
Feb	338.3	335.7	337.7	337.7
Apr	339.6	337.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Feb	359.8	359.8	0	0
Apr	346.8	338.2	347.9	343.5
Jul	344.8	336.5	345.5	341.0
Oct	343.8	336.2	345.0	342.0
Jan	341.6	334.0	345.0	[illegible]

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	358.0	352.3	0	0
Mar	358.2	352.5	358.5	355.0
May	360.6	355.0	361.0	357.0
Jul	363.0	357.3	363.5	359.5
Sep	365.5	359.8	365.0	363.0
Dec	369.0	363.3	369.5	366.5
Jan	369.4	363.7	0	0
Mar	372.6	368.8	371.5	371.0
May	375.2	369.5	375.0	374.5
Jul	377.8	372.1	377.0	377.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	97.65	96.80	98.30	97.65
Mar	97.95	96.70	98.30	97.60
Apr	98.05	98.10	98.40	98.30
May	98.45	99.50	98.20	98.25
Jun	98.75	99.80	98.05	98.90
Jul	99.05	100.05	99.00	99.00
Aug	99.35	100.20	0	0
Sep	99.65	100.60	100.30	99.75

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Apr	20.39	20.34	20.64	20.37
May	20.43	20.31	20.68	20.40
Jun	20.47	20.36	20.70	20.46
Jul	20.30	20.45	20.73	20.50
Aug	20.50	20.50	20.75	20.57
Sep	20.57	20.54	20.77	20.55
Oct	20.62	20.57	20.74	20.61
Nov	20.61	20.57	20.68	20.59
Dec	20.55	20.55	20.72	20.61
Jan	20.66	20.56	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	56.95	56.49	57.20	56.90
Apr	57.15	56.76	57.70	57.10
May	56.70	56.60	57.10	56.70
Jun	56.35	[illegible]	56.80	56.30
Jul	56.50	56.20	57.00	56.50
Aug	57.10	56.96	57.60	57.00
Sep	58.10	58.10	58.25	58.10
Oct	59.10	59.10	59.40	59.15
Nov	60.00	59.95	[illegible]	60.00
Dec	60.90	60.80	61.10	60.90

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	934	934	942	[illegible]
May	957	960	974	958
Jul	981	984	[illegible]	[illegible]
Sep	1015	1007	1030	1010
Dec	1043	1036	1048	1040
Mar	1069	1065	1075	[illegible]
May	1092	1088	1098	1096
Jul	1112	1108	1120	1120
Sep	1144	1131	1140	1140
Dec	1161	1158	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	63.90	67.10	67.75	63.75
May	65.85	69.10	69.45	65.60
Jul	67.80	70.80	71.00	67.50
Sep	69.10	72.30	72.50	69.00
Dec	71.70	74.65	72.75	71.70
Mar	74.25	77.25	0	0
May	76.50	79.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.38	9.34	9.85	9.35
May	9.72	9.62	9.86	9.70
Jul	9.89	9.82	10.14	9.88
Oct	9.09	9.12	9.32	9.05
Mar	8.87	8.97	[illegible]	8.87
May	8.86	8.97	9.05	8.86
Jul	8.87	8.89	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	63.73	63.21	64.40	62.80
May	63.58	62.86	64.00	62.78
Jul	64.33	63.63	64.70	63.55
Oct	63.80	63.36	63.90	63.40
Dec	62.85	62.42	63.19	62.35
Mar	63.60	63.20	0	0
May	64.20	63.75	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	69.90	71.95	72.75	69.80
May	73.35	75.30	76.30	73.25
Jul	76.80	[illegible]	79.00	76.80
Sep	79.25	80.30	81.50	79.25
Nov	81.40	83.00	81.40	[illegible]
Jan	83.95	84.85	86.50	83.90
Mar	86.00	[illegible]	89.00	86.00
May	86.00	87.05	0	0
Jul	90.00	91.95	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Feb 23	Feb 22	mnth ago	yr ago
1777.2	1774.2	1692.4	1595.4

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb 22	Feb 19	mnth ago	yr ago
Spot	124.86	125.32	122.18	116.57
Futures	125.65	125.36	120.52	121.32

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	576/0	570/6	578/0	571/0
May	574/2	569/4	576/4	570/6
Jul	577/4	573/2	579/0	573/4
Aug	579/6	575/2	580/6	576/0
Sep	580/2	576/0	580/4	576/4
Nov	585/2	581/4	586/4	581/0
Jan	593/0	588/6	594/0	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	20.74	20.56	20.82	20.53
May	20.89	20.83	21.09	20.76
Jul	21.20	21.04	21.30	21.00
Aug	21.26	21.05	21.30	21.06
Sep	21.28	21.09	21.38	21.11
Oct	21.27	21.09	0	0
Dec	21.32	21.20	21.37	21.16
Jan	21.22	21.22	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	176.9	176.5	177.7	176.5
May	178.1	177.8	178.8	177.6
Jul	180.0	179.3	180.6	179.3
Aug	181.1	180.3	181.4	180.3
Sep	182.0	181.1	182.6	181.3
Oct	183.0	182.0	183.4	182.2
Dec	185.0	184.0	185.5	184.2
Jan	185.5	184.2	186.0	185.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	211/6	211/6	212/4	211/4
May	219/6	219/6	220/2	219/4
Jul	226/6	226/6	227/4	226/4
Sep	232/4	232/4	233/0	232/2
Dec	238/4	238/4	239/4	238/2
Mar	245/2	245/2	245/6	244/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	374/2	369/0	375/4	370/2
May	340/0	336/0	341/4	336/4
Jul	318/0	316/6	320/4	317/0
Sep	321/4	321/2	324/4	321/2
Dec	328/4	328/4	331/4	328/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	79.975	79.975	80.175	79.775
Jun	73.825	73.975	74.225	73.800
Aug	70.850	71.175	71.125	70.800
Oct	72.275	72.675	72.550	72.250
Dec	73.075	73.350	73.300	72.975
Feb	72.250	72.500	72.500	72.200

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	45.025	44.850	45.550	44.975
Jun	50.925	50.450	51.300	50.700
Jul	49.950	48.950	49.850	49.250
Aug	46.875	46.550	47.200	46.650
Oct	42.050	41.675	42.275	41.900
Dec	43.100	42.925	43.450	43.000
Feb	43.100	43.050	43.400	43.150

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	39.425	37.525	39.525	38.100
May	40.700	38.700	40.700	39.400
Jul	40.950	39.025	41.000	39.700
Aug	39.450	37.450	39.450	38.100

LONDON STOCK EXCHANGE

Fears of rights issues return in force

By Terry Byland,
UK Stock Market Editor

A SHARP turnround in share prices left the UK market looking weak in late dealings yesterday, when hints that a big rights issue was pending drove investors to the sidelines. The blue chip sectors were badly hit, with oil stocks encouraged by higher crude prices providing the only firm exception.

The FT-SE 100 Index ran through most of what appears to have become its latest trading range, touching 2,852.5 in the morning and closing at 2,818, down a net 20.3 on the day. Traders will watch nervously this morning to see if the Footsie challenges the lower end of the range.

Equities opened firmly, taking aboard disappointing news on bad debt provisions from National Westminster Banking without too much discomfort. But the 14.2 gain on the Footsie was abruptly reversed when the March future contract on the FT-SE turned down sharply. The slide continued throughout the session, gathering pace towards the close when the rights issue rumours circulated.

Although Seaq trading volume increased to 597.8m shares from Monday's 553.2m, or £1.18bn in retail worth, selling pressure was not heavy yesterday. Investment attention turned back to the FT-SE listed stocks, and the percentage of non-Footsie business of total volume dipped to around 61 per cent.

"The market seems to lack clear direction at the moment," commented Mr Nigel Little of Panmure Gordon. Activity was highly stock selective yesterday, with several blue chip names moving erratically. UK equities appear likely to remain unsettled until impending rights issues are out of the way.

ICI was still considered the most likely candidate for a rights issue, perhaps ahead of Thursday's important announcement of trading results and the company's demerger plan. But some older favourites were suggested, including Glaxo and General Accident.

The pharmaceutical sector remained unsettled in London as investors saw drug stocks under pressure across Europe from uncertainty over the industry's US prospects under the Clinton Administration. However, profits from SmithKline Beecham were in line with market expectations and the shares responded calmly to the announcement.

The banking sector reacted badly to a further, albeit modest, increase in bad debt provisions at National Westminster, which contrasted with some of the more optimistic views expressed by sector analysts this week. The Footsie was also hit by a hefty fall in BAT Industries, in part because of Philip Morris stock had fallen in New York.

The general weakness cut into share prices across the consumer and retail sectors, although expectations of a cut in UK interest rates in next month's Budget speech remained high.

With Wall Street only 5 Dow points off in UK hours, the London market made little response to the disappointing fall in the latest US consumer confidence index. Oil shares responded strongly after Brent crude prices rose through a resistance barrier, and there were signs that UK funds, which have been anti-BP since the dividend was cut last year, might be changing stance on the shares in the blue chip oil group.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group	19,000	62¼	−1½
Abbey National	2,700	385	
Albert Fisher	1,000	67	−1
Allied−Lyons	808	595	−2
Amstrad	10,000	29	+4
Anglian Water	1,000	520	+1
Argos	1,300	272	−4
Argyll Group	2,100	365	−11
Arjo Wiggins	957	168	−1
Ass. Brit. Foods	447	483	−8
Ass. Brit. Ports	31	379	
BAA	901	785	−9
BAT Inds.	8,400	926	−33
BET	7,800	88½	−8½
BICC	1,400	352	−7
BOC	327	736	−4
BP	11,000	275	+6
BPB Inds.	12,000	217	−17
BT	4,500	404	−2
BTR	2,600	582	−5
Bank of Scotland	2,900	133	−8
Barclays	8,000	427½	−21½
Bass	587	583	−7
Berisford Int.	1,400	128	+1
Blue Circle	3,000	232	−5
Booker	460	418	+2
Boots	1,000	484	−9
Bowater	484	480	−10
Brit. Aerospace	2,000	252	−9
British Airways	4,400	280	−4
British Gas	3,800	285	+7
British Land	10	290	
British Steel	2,900	75	−1½
Bunzl	703	136	
Burmah Castrol	454	716	+7
Burton	3,600	73½	−2
Cable & Wire.	1,300	728	−7
Cadbury Schweppes	1,100	461	−4
Calor Group	33	349	+2
Carlton Comms.	1,000	797	+10
Coats Viyella	1,800	224	−3
Comm. Union	1,800	573	−12
Cookson	407	208	
Courtaulds	446	585	−5
Dalgety	107	465	−5
De La Rue	340	851	−15
Dixons	770	219	−6
Eastern Elect.	2,500	458	+7
East Midland Elect.	1,500	436	+11
Eng China Clays	692	452	−10
Enterprise Oil	1,500	453	+2
Eurotunnel Units	729	496	−1
FKI	803	126	−1
Fisons	1,300	228	−2
Foreign & Col I.T.	345	217	−1
Forte	1,000	194	
Gen. Accident	1,200	573	−12
General Elect.	1,800	298	
Glaxo	4,100	653	+4
Glynwed Int	1,300	268	−3
Granada	1,300	392	+4
Grand Met	4,800	445	−6
GUS A	461	1583	+5
GRE	2,200	180	+2
GKN	577	480	−8
Guinness	3,100	456	−12
HSBC (75p shs)	2,600	565	−5
Hammerson 'A'	1,200	316	+12
Hanson	3,500	248½	+1
Hanson Warrants	402	27¼	
Harrisons Crosfield	1,800	187	−2
Hillsdown	2,500	[illegible]	+1
IMI	531	260½	−5½
ICI	1,100	1074	−2
Inchcape	[illegible]	589	−3
Johnson Matthey	[illegible]	476	−3
Kingfisher	632	546	−8
Kwik Save	151	608	
Ladbroke	2,700	187	−9
Land Securities	1,200	484	−1
Laporte	1,100	680	−2
Legal & General	1,400	488	−8
Lloyds Abbey	2,000	403	+3
Lloyds Bank	5,800	517	−8
LASMO	1,900	170	
London Elect.	845	484	+2
Lonrho	2,400	89	−3
Lucas	2,500	144	−2
MB Caradon	553	314	
MEPC	987	376	−1
Manweb	500	505	+7
Marks & Spencer	4,600	336	−6
Midlands Elect.	410	483	+5
Morrison (Wm.)	799	163	−4
NFC	877	205	−6
NatWest Bank	18,000	443	−16
National Power	872	313½	−1½
Next	1,700	144½	−5
North West Water	1,200	495	−9
Northern Elect.	448	503	+9
Northern Foods	1,800	255	−8
Norweb	338	485	+6
Pearson	1,000	387	+3
P & O	1,800	546	−16
Pilkington	1,600	114	
PowerGen	1,100	315	−1
Prudential	1,700	313	
RMC	187	605	−7
RTZ	2,100	681	+6
Racal	1,000	188	−8
Rank Org.	916	683	+4
Reckitt & Colman	1,400	615	+1
Redland	1,200	455	+2
Reed Intl.	772	645	+1
Rentokil	831	217	−3
Reuters	226	1314	
Rolls Royce	5,100	128	
Rothmans	760	609	−16
Ryl Bk Scotland	3,209	237	−5
Royal Insurance	3,400	287	−½
Saatchi	820	181	+1
Sainsbury	1,700	508	−13
Scottish & New.	1,700	439	+6
Scot. Hydro-Elect.	2,100	284	+3
Scottish Power	1,600	236	−½
Sears	2,000	97	−4
Sedgwick	2,500	189	−2
Seeboard	254	461	+5
Severn Trent Water	384	488	−1
Shell Transport	6,800	581	+6
Siebe	1,000	480	−4
Slough Ests	498	187	
Smith (W.H.) A	294	429	−½
Smith & Nephew	712	159	−½
SmKl Beecham	4,500	424	+3
SmKl Beecham Uts.	5,000	387	+2½
Smiths Inds	846	346	+4
Southern Elect.	1,700	462	+9
South Wales Elect.	236	524	+1
South West Water	138	519	−3
South West. Elect.	406	484	+2
Southern Water	618	508	−3
Standard Chartd.	331	640	−2
Storehouse	795	184	−2
Sun Alliance	2,600	316	+1
T&N	2,500	189	+1
TI Group	1,300	280	−11
TSB	8,700	173	−1
Tarmac	574	111	−2
Tate & Lyle	1,200	422	+2
Taylor Woodrow	1,600	92	+2
Tesco	6,900	236	−6
Thames Water	1,100	520	+1
Thorn EMI	880	828	−10
Tomkins	1,900	236	+2½
Trafalgar House	6,400	79½	
Unigate	196	368	−2
Unilever	3,000	1160	+14
United Biscuits	3,500	356	
Utd. Newspapers	255	520	−2
Vodafone	4,300	380	−6
Warburg (SG)	78	622	−2
Wellcome	2,700	881	−29
Welsh Water	283	587	+1
Wessex Water	481	602	−6
Whitbread 'A'	846	449	−6
Williams Hldgs.	2,200	309	
Willis Corroon	1,500	179	
Wimpey	304	140	−1
Wolseley	1,300	580	
Yorkshire Elect.	796	506	+6
Yorkshire Water	232	566	

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Feb 15	Mar 1	Mar 15
Option Declarations:		
Feb 25	Mar 11	Mar 25
Last Dealings:		
Feb 26	Mar 12	Mar 26
Account Day:		
Mar 8	Mar 22	Apr 5

*New time dealings may take place from 8.30am two business days earlier.

NatWest hurt by write-off

THERE WAS widespread disappointment in the market with preliminary results from National Westminster Bank, although traders commented that the shares had merely given up the previous day's gains. They also pointed to the share's 35 per cent relative outperformance over the past year.

The bank's pre-tax profits, at £405m, were in the middle of the market range, but dealers expressed concern at the continuing high level of bad debts which led the bank to write off £1.9bn, compared with the previous year's figure of £1.87bn.

NatWest shares opened lower at 452p after the results were known and then embarked on a gradual decline which saw them down to 437p in mid-session as analysts assessed current year forecasts in the light of the cautious statement accompanying the figures. At the close the shares were trading 16 lower at 443p, a fall of 3.5 per cent. Turnover totalled 15m shares.

One analyst said there remained a question mark over the group's capital base and that an injection of funds would be required at some point, although not in the short term. Another said: "There was nothing in the bank's figures nor in the post-results meeting with analysts to suggest there are any hidden goodies." Barclays Bank shares fell 4.9 per cent, or 21½ to 427½p on heavy turnover of 8m. Barclays reports preliminary numbers on March 4.

BAT weaken

Tobacco and insurance group BAT Industries suffered in the wake of worries of increased US taxes as well as some takeover speculation. The shares were weak all day and came off sharply when the US market opened to end the day 33 lower at 926p on heavy turnover of 8.4m shares.

Concern that Mrs Hillary Clinton would raise cigarette taxes as part of her health reforms surfaced on Monday and sent the price of Philip Morris shares spiralling downward in the US. BAT, makes about a third of its profits from US tobacco sales and a similar amount from insurance, most of which has recently been US generated. There was also nervousness that a tax could be imposed on US insurance premiums. Finally there was talk, generally greeted with scepticism, that BAT might make a bid for high street bank TSB.

Guinness down

Several adverse factors combined to hit Guinness, causing the shares to retreat 12 to 456p. The chief factor was continuing worry that LVMH, cross-holding partner of the UK drinks group, may be considering a corproate restructure so as to raise cash for a bid in the French media industry. But speculation that LVMH could look to Guinness to increase its existing 24 per cent stake would be at odds with the latter's stated strategy as well as breaching the agreement between the two.

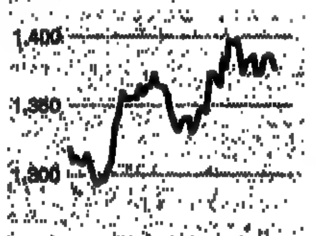
Other negative influences yesterday included a bearish report on prospects for increases in US excise taxes, and sluggish whisky sales in Japan. LVMH was also said to be reducing champagne prices by some 10 per cent, and there was also talk of a downgrade on the group in Paris by James Capel. In London, BZW shaved its forecast for Guinness.

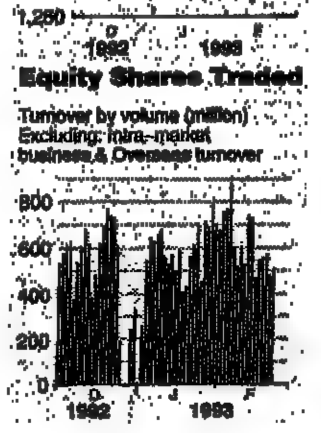
Drugs stance

A perception that the heavy US selling of pharmaceuticals is drying up prompted Societe Generale Strauss Turnbull to adopt a more positive stance on the sector.

Strauss, a significant player in American Depositary Receipts, moved its recommendation to "neutral" from "underweight" and said it was not far off becoming a buyer. Mr Paul Diggle, pharmaceutical analyst and Strauss's head of research said: "I don't think everything Mrs Clinton can do to the sector is fully reflected in the price, but I can't believe there is much downside to go."

Glaxo rose 4 against the market to 653p and SmithKline Beecham, which announced





well-received full-year results, lifted 3 to 424p in the 'A's and 2½ to 387p in the Units. The company announced a profit of £1.115bn and a 15 per cent sales growth. However, Wellcome suffered as a result of an overhang of stock and the realisation that the group's rating has not fallen in line with its rivals. The shares dropped 29 to 881p.

BPB setback

A £64m convertible bond issue due in 2008, accompanied by a forecast that the 1992 dividend total will be cut from last year's 11.25p to 7.5p, undermined sentiment in BPB shares. They retreated 17 to 217p, having dropped to 214½p at one point. The fall took place in exceptionally heavy trading during which 12m BPB shares changed hands. Specialists were perplexed at the extent of the shares' decline, pointing out that most analysts had already forecast a cut in the dividend payout.

Final results from Unilever came within market forecasts but a raised dividend helped bolster the shares which rose 16 to 1160p. Mr David Hallam at Williams de Broe said a good performance in most markets was being threatened by the weakness in the German economy and he remained a short-term holder. Most analysts, however, were positive on a longer term view.

Worries by one broker over margin pressures at Boots the chemist knocked the shares, off 9 at 484p. Sears suffered from a badly handled order and lost 4 to 97p.

Rumours of a big rights issue in the leisure sector found few credible candidates, although some fingered Granada, the group, which has been busily presenting itself to the institutions in recent weeks. The shares added 4 to 392p.

Despite an upbeat message at the agm, shares in Grand Metropolitan fell back, closing 6 off at 445p. Dealers said the stock, along with selected other drinks shares, was suffering a hangover from Monday's big programme trade. Bass slipped 7 to 583p, and Whitbread A shares 6 to 449p.

Much better interim profits than expected from Amstrad, the consumer electronics group, and an unexpected interim dividend, saw the shares race up 4 to 29p. Turnover reached 10m, the heaviest single-day's business since last July, when the company first warned of big losses.

At best, analysts had expected Amstrad to break even during the period with some looking for losses of up to £20m, compared with £15.2m losses at the same stage last year. For the full year Amstrad posted losses of £71m.

A sizeable profits downgrading for business services group BET led to heavy selling and a sharp fall for the shares.

Hoare Govett maintained its forecast for the year to March 1993 at £70m but cut the following year's estimate by nearly 20 per cent to £81m, to take account of restructuring costs.

The move led to strong selling of the stock and by the close the shares were down 8½ to 88½p, following trade of 7.8m. Hoare Govett warned that BET may be forced to reduce its dividend by 2p to 4.5p. James Capel reduced its dividend expectation from 6.5p to 4p.

Elsewhere in the sector, Vinten Group continued to be boosted by the recent recommendation by NatWest Securities and put on another 3 to 357p.

Fears that the dispute between British Airways and Virgin Atlantic could worsen continued to hurt the shares of the UK flag carrier.

They closed 4 down at 280p, having touched 277p, in trade of 4.4m, with speculation circulating of a possible rights issue.

The announcement by Glasgow-based engineering company Howden Group of a two-for-seven rights issue at 52p to raise £31.4m, saw the shares ease 4 to 59p.

Leather and hosiery group Hartsone was hit by a spate of stories including a profit forecast downgrade by the broker and management changes. The shares, down 15 at one stage, recovered to close 2 off at 270p.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo, Peter John,
Steve Thompson.

■ Other market statistics, Page 19.

NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (137)
BRITISH FUNDS (24) Tr. 10pc '01, Tr 8pc '03, Tr. 10pc '03, Tr. 11¾pc '01-04, Cv 9½pc '05 ... [illegible] ... OTHER INDLS (4) Colorgen, Howitt, Scapa, Vinton, PACKG, PAPER & PRINTG (3) Brit. Polythene, Carnaud MetalBox, Microgen, PROP (1) Gt Portland 9½pc Cv '02, TELE NETWORKS (1) Nthn Telecom, TEXTS (2) Courtaulds, Leslie Wise, TRANSPORT (2) Eurotunnel Units, Norex, WATER (9) Anglian, Cheam, East Surrey, Mid Kent, Severn Trent, Southern, Thames, Welsh, Yorks., MINES (2) Antofagasta, Zambia Copper
NEW LOWS (3).
FOOD RETAILING (1) Appleby Westward, HOTELS & LEIS (1) Jurys, MINES (1) OFS

FINANCIAL TIMES EQUITY INDICES

	Feb 23	Feb 22	Feb 19	Feb 18	Feb 17	Year ago	High	Low
Ordinary share	[illegible]	2198.0	2200.7	2197.2	2175.6	1982.8	2225.1	1670.0
Ord. div. yield	4.45	4.42	4.40	4.39	4.36	4.83	5.34	4.23
Earning yld % full	5.99	5.94	5.92	5.91	5.94	6.67	-	-
P/E ratio net	21.30	21.46	21.55	21.57	21.50	18.75	22.01	15.79
P/E ratio nil	19.57	19.71	19.79	19.81	19.73	17.67	-	-
Gold Mines	93.5	93.3	93.5	93.5	96.2	129.8	160.6	60.0

*for 1992/93. Ordinary share index since compilation: high 2228.1 8/2/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.6 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2199.7	2207.5	2205.7	2199.2	2191.1	2189.7	2181.2	2184.5	2180.2	2208.0	2175.9

Volume	Feb 23	Feb 22	Feb 19	Feb 18	Feb 17	Year ago
SEAQ Bargains	29,945	27,865	26,899	29,426	27,669	28,406
Equity Turnover(£m)†	-	1181.6	948.9	1460.4	1203.5	970.8
Equity Bargains†	-	32,045	30,750	33,506	30,853	32,780
Shares traded (mil)†	-	506.1	476.7	576.0	550.5	445.4

† Excluding intra-market business and overseas turnover

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

The early strength in the derivatives sector faded as talk of a big rights issue returned to dominate trading, writes Joel Kibazo.

In futures, the favourable overnight performance on Wall Street and firmness in the some of the European markets led to a strong opening in the March contract on the FT-SE. It started trading at 2,859, some 17 points above Monday's close.

But with no follow through buying, the early strength in March faded and the contract went into reverse mid-morning as talk of a big rights issue gathered strength.

Increased selling of March led to its continued decline in the afternoon and the contract reached the day's low of 2,810 at 3.15pm. Bargain hunters then moved in and the contract finished at 2,818, down 24 on its previous close and at a 6 point discount to the underlying cash market. Turnover at 12,568 was good.

The volume in the traded options improved on Monday's meagre levels reaching 33,045 lots by the close. Around 5,610 lots were dealt in the FT-SE100 index option, and the Euro FT-SE index saw business of 1,852 lots.

Among the stock options, the expiry of the February options today in BTR led to active business in its stock option and it traded 4,727 lots. It was followed by BAT at 2,479, and by BP at 2,310.

Hanson and Land Securities were also busy.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2818.0 −20.3	3037.1 −11.9	1378.84 −8.06

	Feb 23	Day's change %	Feb 22	Feb 19	Feb 18	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2818.0	−0.7	2838.3	2840.0	2837.7	2546.8	6.53	4.29	19.66	5.84
FT-SE Mid 250	3037.1	−0.4	3049.0	3048.3	3040.3	2496.8	6.82	4.27	18.55	[illegible]
FT-SE-A 350	1395.0	−0.6	[illegible]	1404.6	1402.9	1236.0	6.59	4.28	19.41	2.96
FT-SE SmallCap	1528.25	+0.1	1527.29	1525.97	1521.62	−	5.38	4.20	25.92	[illegible]
FT-SE SmallCap ex Inv Trusts	1532.23	+0.1	1531.25	1529.40	1524.29	−	5.99	4.46	23.86	3.89
FT-A ALL-SHARE	1378.84	−0.6	1386.90	1387.47	1385.59	1221.30	6.52	4.28	19.71	2.97
1 CAPITAL GOODS(211)	926.58	−0.6	931.97	931.39	926.07	795.14	6.09	4.65	21.50	1.51
2 Building Materials(27)	970.87	−1.1	982.10	980.67	976.89	981.29	5.25	5.56	27.10	0.77
3 Contracting, Construction(29)	827.62	+0.3	825.34	823.94	821.21	887.23	3.02	5.87	80.00†	1.23
4 Electricals(14)	2592.32	−1.0	2619.68	2620.14	2622.77	2438.73	6.18	5.60	21.23	3.25
5 Electronics(35)	2526.06	−0.2	2530.18	2537.84	2498.54	1820.80	6.28	[illegible]	20.15	14.53
6 Engineering-Aerospace(7)	340.39	−0.5	342.26	339.94	338.85	327.57	[illegible]	6.89	12.26	0.00
7 Engineering-General(52)	547.17	−1.0	552.90	553.29	550.34	490.82	7.32	4.35	17.47	1.29
8 Metals & Metal Forming(11)	359.54	−1.1	363.66	361.85	360.00	326.39	4.83	3.69	30.13	0.29
9 Motors(18)	400.80	−0.8	404.00	405.59	404.85	316.45	4.94	5.84	29.78	0.00
10 Other Industrials(18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP(232)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers(26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing(22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing(18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health & Household(29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Hotels and Leisure(20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30 Media(31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging and Paper(23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores(39)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles(20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS(143)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Business Services(27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals(23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates(11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Transport(16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Electricity(16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Telephone Networks(4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Water(13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous(32)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP(586)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas(18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 "500" SHARE INDEX(604)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP(93)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks(9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life)(6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite)(7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance Brokers(10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks(6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property(28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial(23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts(107)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 FT-A ALL-SHARE(793)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Gross dividend yield (ACT at 25%) FT-SE 100: 4.29%

FT-SE Actuaries 350 Industry Baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Construction	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Health & H	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or −	1992/93 high	low	Yield Int.	Red.
"Shorts" (Lives up to Five Years)							
Treas 10pc 1993	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

LONDON SHARE SERVICE

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on unqualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries 0277 227300 Dealing 0277 261010						
European	5	109 80	109 40	115 20	+0 40	1 40
Intl Bond & Conv	5	125 70	126 00	132 60	+0 50	5.46
Pooled Pension $	7	150 5	154.5	165 3		–
Smaller Cos	5	61 27	63 16	66 48	+0 10	1 97
UK General	5	115.30	117 10	123.30	+0 20	2.77
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard London Bridge SE1 071-407 5966						
Income	5	384 87	384 87	409 44	+0 41	5 06
Global Inc	5	58 56	58 56	62.3	+0.27	3 92
Brit Leaders	5	312 7	312.7	332 66	-0 26	3 08
Intl Leaders	5	182 9	182.9	194 57	-1 77	1 69
Pen Man Bal Gth Inc	3½		53	54.33	56 45	+0 09	3 01
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224 Beckenham BR3 4TF 081-663 3003						
European Trust	6	52.99	53 08	56 46	+0.26	1 37
Far Eastern Tst	6	56.53	57.28	60 93	+0 02	0 82
Smaller Cos	5	141.3	145 8xd	155 1	-0 2	2.13
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St. London W1A 3AS. 071-637 5377						
S & W American $	5	266 3	266.9	282 4	-0 30	0 94
S & W Capital	5	114 6	114 6xd	122 8		1 88
S & W Cash $	0	102.49	102 49	102.49	+0 04	5 93
S & W European	5	115 5	115 6	122 3	+0 60	1 08
S & W Far Eastern	5	120.3	121 5	128.5	+1 40	0 14
S & W Growth	5	123 2	124 7xd	131 9	+0.10	1.54
S & W Income	5	110 0	111 2	117 6	+0 70	5 04
S & W Magnum	5	121 8	121 8	130 4	-0.10	1 96
S & W Smlr Secs	5	299 2	305 2	323 4	+1.00	0.59
S & W Thoroughbred	5	140.7	140 7	150 9	-0.10	1.71
Societe Generale Touche Remnant (1200)F						
Mermaid Hse 2 Puddle Dock, EC4V 3AT 071-410 4029						
American Gwth	5¼	79 98	79 98	85.54	-0 53	0
Eur Sp Sits Acc.	5¼	45 02	45 01	47.83	-0 12	0
Eur Sp Sits Inc	5¼	42.51	42 51	45 18	-0 10	0
Far East Opps Inc.	5¼	29 43	29 43	31 51	-0 04	0
Far East Opps Acc	5¼	30 24	30 24	32 38	-0 04	0
General Growth	5¼	95 61	95 61xd	102 50		0
General Growth Acc.	5¼	98 03	98 03	105 10		2 44
Global Tech	5¼	115 70	115 70	125 00	-1 90	0
Income Growth	5¼	96 11	96 11xd	103 00	-0.10	3 98
Income Growth Acc	5¼	97 95	97 95	105 30	-0.20	4 02
Income Monthly	5¼	55 53	55.53	59 34	+0 27	5 30
Japan Growth	5¼	65 84	65 84	70 02	-0.35	0
Overseas Growth	5¼	72.56	71 56	76 18	-0.35	0
Smaller Cos	5¼	68 52	68.52	73 67	-0.13	1 93
Special Opps	5¼	94 95	94 95xd	102.00		2.05
Wwde Sp Sit Acc.	5¼	43 63	43 63xd	46 99	-0.11	0
Wwde Sp Sit Inc	5¼	43.53	43 53xd	46 88	-0.11	0
SGTR Pension Portfolio						

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2½	93.28	93 28	95 95	+0.24	0 00
Short Dtd Gilt	1½	109 7	109 7	111.2	+0.10	4 47
U S Govmt Bond	1½	0.7111	0 7111	0 7204		0 00
Gilt Income	4	52 61	52.61	54 75	+0 02	8 00
Gilt Growth	4	65 49	65 49	68 17	+0 07	0 00
City Reserve	0	52.20	52 20	52 20		6.29
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square Swanley BR8 7AG 0705 388046						
Stockmarket Fd F	5	64 52	64 71	68.83	-0.62	2 21

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int I Exm Feb 19	671.2	692.7		1 00
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071 214 1050 (general enquiries) 071 214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	52.84	54 73	+0 10	5 8
Income Plus	50.07	51.10	+0 02	7 4
James Capel Fund Managers Ltd				
European Exempt.	110.366	111 607	-0 877	3 00
Japanese Exempt.	112.724	114 455	-0.278	–
Managed Exempt.	127 119	134 408	-0 583	3 12
North American Exempt.	101.909	103 255	+0 27	1 36
Pacific Exempt.	111.361	113 448	+0 284	2 98
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Jan 31	585 00	591 20		5 04
Fxd Int Sec Jan 31	153 10	153 85		9.50
Deposit Fund See Money Market Trust Funds				
Charinco/Charishare (1000)F				
33 King William Street, EC4R 9AS 071-280 2800				
Charinco Inc	179.3	181.4		9 04
Charinco Acc.	1051	1063		9 04
Charishare Inc.	188.9	192 9	+0 40	4 18
Charishare Acc.	244 5	249 7	+0 40	4 15
CAFINVEST-Charities Aid Foundation				
48 Pembury Rd, Tonbridge TN9 2JD 0732 771333				

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

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Prolific Life & Pensions Ltd
Stonecgate, Kendal, Cumbria LA9 4DB 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Adventurous Mngd	166.1	176.8	-0.2	-
Balanced Gwth Mngd	673.8	716.9	-0.8	-
Cautious Mngd	129.3	137.6	----	-
Cash Fd	317.9	335.0	----	-
Property Fund	216.7	230.6	----	-
Gilt Fund 20	449.6	478.3	+0.8	-
Equity Fund	778.2	827.9	-1.3	-
Fxd. Int. Fund	419.3	441.9	-1.5	-
International	347.2	364.4	+0.1	-
High Income	601.3	639.9	+0.1	-
Technology	446.6	475.2	-7.3	-
North American	459.8	489.2	-2.3	-
Far East	465.7	495.5	----	-
Special Sits	555.1	590.6	-0.6	-
Extra Inc Fd	328.2	349.2	-0.4	-
American Income	189.5	201.7	+0.8	-
Convertible & Gilt Fd	160.1	170.4	-0.2	-
European Fund	126.6	134.7	+0.2	-
Pref & Fixed Int	115.9	123.4	+0.2	-
UK Blue Chip	118.2	124.6	-0.5	-
Recovery Fund	117.2	123.6	----	-
Equity Income Dist	109.6	116.6	+0.1	4.88
Managed Dist	103.6	110.3	+0.1	5.60
High Yield Dist	104.8	110.5	-1.4	8.10
Pension Funds				
Adventurous Mngd Pens Acc	176.2	185.5	-0.3	-
Balanced Gwth Mngd Pens Acc	795.1	837.0	-0.7	-
Cautious Mngd Pens Acc	150.0	157.9	-0.1	-
Building Soc. Acc	366.8	386.2	----	-
Property Pens. Acc	295.4	311.0	----	-
Fix. Int. Pens. Acc	663.2	698.2	+0.2	-
Equity Pens. Acc	1018.0	1071.6	-0.6	-
International Pens Acc	325.0	342.2	----	-
High Inc Pens Acc	682.1	718.1	----	-
Tech Pens Acc	314.7	331.3	-4.9	-
N American Pens Acc	353.8	372.5	-1.4	-
Far Eastern Pens Acc	476.9	502.0	+0.4	-
Special Sits Pens Acc	458.8	483.0	-0.7	-
Extra Income Pens Fd	404.7	426.0	-0.6	-
American Inc Pens	220.2	231.8	----	-
Convertible & Gilt Pen	195.7	206.1	-0.7	-
European Pens	141.8	149.3	+0.2	-
Managed Cash Pens	172.8	181.9	----	-
Pref & Fixed Pens	134.8	141.9	+0.2	-
UK Blue Chip	125.9	132.6	-0.6	-
Recovery Fund	126.4	133.1	----	-
Unitised With Profits Pen	109.2	115.0	+0.1	-
Other Funds				
B&B Select Mngd	109.6	115.4	----	-
IAS Managed	117.7	123.9	+0.1	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Reliance Mutual
Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or -	Yield Gross
Deposit Acc Fd	169.2	178.1	----	-
Equity Acc Fd	408.6	430.1	+1	-
Managed Acc Fd	360.7	379.7	----	-
Prop Fd (1st Issue)	-	646.5	----	-
Prop Acc Fd (2nd Iss)	124.3	130.8	----	-
Unit Trust Mn. Fd	177.2	186.5	----	-
RL Pension Funds				
Deposit Acc	246.1	259.1	+0.1	-
Equity Acc	307.1	323.2	+0.9	-
Fixed Int Acc	252.5	265.8	----	-
Gilt Indx Lnk Acc	190.3	200.3	----	-
Managed Acc	403.2	424.4	----	-

J Rothschild Assurance PLC
J Rothschild House, Dollar Street, Cirencester
Telephone 0285 640302 Helpline 041 307 6500

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Income Distribution	95.00	100.0	----	-
JRA/M&G Managed	118.8	125.1	+0.10	-
JRA/Scottish Amicable Mngd	114.7	120.8	+0.20	-
JRA/St James's Place Mngd	121.8	128.3	+0.60	-
Deposit	100.5	105.8	----	-
Far East	124.8	131.4	+0.50	-
Gilts	108.3	114.0	+0.10	-
Greater European	117.5	123.7	+0.70	-
North American	132.6	139.6	+0.40	-
UK Equity	119.9	126.3	+0.20	-
Pension Funds				
JRA/M&G Managed cap	117.6	123.8	+0.10	-
JRA/M&G Managed acc	122.0	128.5	+0.20	-
JRA/Scottish Amicable Mngd cap	114.9	121.0	+0.40	-
JRA/Scottish Amicable Mngd acc	119.3	125.6	+0.50	-
JRA/St James's Pl Mngd cap	127.7	134.5	+0.90	-
JRA/St James's Pl Mngd Acc	132.5	139.5	+0.90	-
Deposit cap	100.3	105.6	----	-
Deposit acc	104.1	109.6	----	-
Far East cap	122.3	128.8	+0.40	-
Far East acc	127.0	133.7	+0.50	-
Gilts cap	105.9	111.5	+0.10	-
Gilts acc	109.9	115.7	+0.10	-
Greater European cap	120.2	126.6	+1.30	-
Greater European acc	124.8	131.4	+1.40	-
North American cap	130.1	137.0	-0.80	-
North American acc	135.0	142.2	-0.90	-
UK Equity cap	120.7	127.1	+0.30	-
UK Equity acc	125.3	131.9	+0.50	-

Royal Heritage Life Assurance Ltd
Peterborough Business Pk, PE2 6GG 0733 390000

[illegible]

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
John Govett Management (IoM) Ltd				
3rd Gov Gar NAV Feb 12		$14.79		-
Paragon Plus Red Feb L		€9.85		-
Paragon Stlg Red Feb L		£11.33		-
SE Asian NAV Feb 18		$10.12		-
Govett Mgd Fun Feb 19	£13.65	14.93		-
Govett Mgd Fun Feb 19	$9.63	10.53		-
Wld Horizons Inv Feb 18		$14.67		-
Eur Horizons Inv Feb 18		$6.87		-
DBr General Bd Feb 12		$7.56		-
IBI Global Funds Limited				
Intl Stlg Gwth	£21.50	22.64		-
Intl $US Gwth	$18.04	19.00		-
High Income Gilt	£27.39	28.60		-
International Equity	£22.36	23.55		-
International Bond	£24.39	25.28		-
Managed Currency	£28.09	28.39		-
Sterling Currency	£26.80	27.08		-
US$ Currency	$37.88	38.27		-
Irish £ Currency	I£15.83	16.00		-
R & H Fund Managers Ltd				
LFRS Sterling Fd	£11.29	11.77		-
B F Offshore Inc Fd Ltd	£12.51	13.04		-
IBBC Offshore Fd	£10.00	10.82		-

JERSEY (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey						0534 36633
AIB Currency Funds Ltd						
Intl Managed Bond	5		I£-22.5913	22.6093		-
Managed Capital Bd	5		I£-22.2821	22.3570		-

	Bid Price	Offer Price	+ or -	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloydstrust World Inv Port	£2.621	2.753	-	1.21
Dealing Weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£10.15	10.20	+0.01	9.22
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Feb 18	$13.82	14.11		2.83
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income (z)	55.6	58.0		7.30
UK Equity Fd (z)	228.4	243.0		2.63
Intl Bond Fd	101.8	105.0		6.51
Sterling Mngd Asset Fd	554.5	584.0		4.57
Sub. day every Thurs				
NatWest TreasCur Currency Fund (z)				
Dollar Class		$38.3460	+0.0025	-
Sterling Class		£27.2461	+0.0040	-
D-Mark Class		DM84.7967	+0.0171	-
Japanese Yen Class		Y8003.6901	+0.4390	-
Ashburton Replica Portfolio Ltd				
Ashburton Replica Pfolio Ltd £	11.78	12.24		-
Ashburton Replica Pfolio Ltd $	$10.70	11.13		-
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Feb 18	$36.10	38.38		-
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Gwth Fd	$3.7214	3.9548		-
Offshore European Fd	$1.5446	1.6414		-
Offshore Global Bond Acc	$0.9953	1.0368		-
Offshore Far Estrn Fd	$2.5422	2.7016		-
Offshore UK Growth Fd	$2.0444	2.1726		-
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Feb 19		$4.49		-

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar hit by poor indicators

THE US DOLLAR lost around 1½ pfennigs against the D-Mark in European trading yesterday after a fall in the latest US consumer confidence data raised fears that the scale of the US economic upturn could not be sustained, *writes James Blitz.*

A widely followed measure of consumer confidence, issued by the Conferebnce Board, dropped to 68.5 in February from 76.7 in January, when the market had been expecting a reading in the high 70s.

The dollar fell to a low of DM1.6110 on the news and later closed in London at DM1.6125 from a previous DM1.6285.

Yesterday's data added to the growing feeling in currency markets that the dollar's recent rise to DM1.67 has petered out.

Mr Gerard Lyons, chief economist of DKB International in London, said that yesterday's indicators underlined the recent gloom in another poll by the ABC/Money index, which showed consumer confidence remaining very subdued in the aftermath of Mr Bill Clinton's election as US President.

"The strength of the US recovery in the fourth quarter of last year may not be maintained," he said.

Analysts at Citibank were also cautious about whether the dollar could break higher against the D-Mark. "Signs of a future moderation in activity would obviously raise pressure for another cut in official rates, especially given the budget deficit reduction," the bank's currency strategists said in their latest report.

The dollar's weakness against the D-Mark was a source of renewed tension inside the European exchange rate mechanism yesterday.

The German currency's stronger performance against the peseta and krone forced the Spanish and Danish authorities to raise interest rates to preserve their currencies' strength.

At the close of European trading, the peseta was a little stronger against the D-Mark at Pta72.58. But the krone fell as low as DKr3.8560 to the D-Mark, closer to its ERM floor of DKr3.9016.

Mr Mark Austin, Treasury economist at Midland Global Markets in London, said that the recent weakness of the Spanish and Italian currencies was taking its toll on the French franc in the ERM.

In his view, the fall in the value of the lira and peseta could exacerbate problems for French exporters. Any threat of Spain quitting the ERM could also undermine the franc. The French currency closed at FFr3.396 to the D-Mark from a previous FFr3.392.

As ERM tensions grow, it may be that the strength of the D-Mark dominates this weekend's meeting of the Group of Seven's finance ministers rather than the strength of the yen.

Yesterday, the Japanese currency hovered around its record-breaking postion against the dollar, closing at Y116.65 from a previous Y116.35.

£ IN NEW YORK

Feb.23	Latest	Previous Close
£ Spot	1.4585-1.4595	1.4566 1.4576
1 month	0.36-0.35pm	0.36 0.34pm
3 months	1.04-1.01pm	1.04 1.02pm
12 months	2.76-2.66pm	2.78 2.68pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.23	Previous
8.30 am	77.0	77.3
9.00 am	77.0	77.4
10.00 am	77.0	77.3
11.00 am	77.0	77.3
Noon	77.1	76.9
1.00 pm	77.1	77.1
2.00 pm	77.1	77.2
3.00 pm	77.1	77.2
4.00 pm	77.0	77.2

CURRENCY RATES

Feb 23	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.955204	0.819596
U.S Dollar	3.00	1.38409	1.18788
Canadian $	6.40	1.74644	1.49281
Austrian Sch	8.25	15.9101	[illegible]
Belgian Franc	7.50	46.5539	39.8979
Danish Krone	11.50	8.66510	7.44324
D-Mark	8.00	2.25953	1.93565
Dutch Guilder	7.50	2.53551	2.17881
French Franc	10	7.63741	6.56718
Italian Lira	11.00	2171.80	1877.94
Japanese Yen	2.50	163.364	138.625
Norway Krone	-	9.62358	8.26110
Spanish Peseta	-	162.077	139.944
Swedish Krona	11.50	10.4935	9.11221
Swiss Franc	5.50	2.07060	1.78122
Greek Drach	19	N/A	261.642
Irish Punt	-	N/A	0.795259

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Feb.22

CURRENCY MOVEMENTS

Feb 23	Bank of England Index	Morgan** Guaranty Changes %
Sterling	77.0	-32.41
U.S Dollar	65.8	-11.99
Canadian Dollar	90.1	-6.45
Austrian Schilling	115.8	+15.12
Belgian Franc	116.6	+2.19
Danish Krone	119.7	+12.94
D-Mark	126.7	+92.70
Swiss Franc	110.8	+19.44
Dutch Guilder	120.4	+21.48
French Franc	110.9	-6.14
Lira	78.4	-35.88
Yen	163.9	+102.41
Peseta	90.5	-25.79

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Feb.22

OTHER CURRENCIES

Feb 23	£	$
Argentina	1.4530 - 1.4595	0.9995 - 1.0005
Australia	2.0660 - 2.0680	1.4360 - 1.4370
Brazil	27815.0 - 27834.3	19117.0 - 19117.1
Finland	8.5000 - 8.5495	[illegible]
Greece	315.000 - 321.30	216.930 - 221.270
Hong Kong	11.2300 - 11.2425	7.7300 - 7.7310
Iran	2200.00*	1485.00*
Korea(Sth)	1151.35 - 1169.90	[illegible]
Kuwait	0.44680 - 0.44780	0.30700 - 0.30750
Luxembourg	48.70 - 48.80	33.35 - 33.45
Malaysia	3.8125 - 3.8225	2.6260 - 2.6270
Mexico	4.4975 - 4.5005	[illegible]
N.Zealand	2.7650 - 2.7680	1.9010 - 1.9030
Saudi Ar.	5.4445 - 5.4555	3.7495 - 3.7505
Singapore	2.3815 - 2.3875	1.6410 - 1.6420
S.Af (Cm)	[illegible]	3.1225 - 3.1275
S.Af (Fn)	6.5765 - 6.5865	[illegible]
Taiwan	37.65 - 37.80	[illegible]
U.A.E.	5.3310 - 5.3435	3.6715 - 3.6735

*Floating rate Iran Official rate:£98.50 $66.30

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Feb 23	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Irish Punt	0.809996	0.795259	-1.82	2.12	63
Spanish Peseta	142.150	139.944	-1.55	1.84	27
Dutch Guilder	2.20045	2.17881	-0.98	1.26	28
Belgian Franc	40.2802	39.8979	-0.95	1.22	26
Portuguese Escudo	180.624	178.954	-0.92	1.19	15
D-Mark	1.95294	1.93565	-0.89	1.16	30
Danish Krone	7.44934	7.44324	-0.08	0.35	[illegible]
French Franc	6.54988	6.56718	0.26	0.00	[illegible]

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Feb 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4490 - 1.4600	1.4585 - 1.4595	0.36-0.34cpm	2.88	1.04-1.01pm	2.81
Canada	1.8270 - 1.8375	1.8300 - 1.8310	0.14-0.01cpm	0.49	0.20-0.05pm	0.27
Netherlands	2.6425 - 2.6650	2.6450 - 2.6550	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	48.50 - 48.80	[illegible] - 48.80	9-12cdis	-2.58	30-34dis	-2.63
Denmark	9.0450 - 9.1250	9.0450 - 9.0550	[illegible]	-11.19	[illegible]	-11.05
Ireland	0.9650 - 0.9725	0.9660 - 0.9670	0.60-0.70cdis	-8.07	1.80-2.05dis	-7.97
Germany	[illegible] - 2.3650	2.3500 - 2.3550	[illegible]	-2.23	[illegible]	-2.23
Portugal	216.00 - 218.75	216.00 - 217.00	131-148cdis	-7.73	406-454dis	-7.94
Spain	170.50 - 173.00	170.55 - 170.85	199-242cdis	-13.39	364-487dis	-9.65
Italy	2286.75 - 2300.50	[illegible] - 2298.50	8-10liredis	-4.70	29-34dis	[illegible]
Norway	10.0400 - 10.1050	10.0950 - 10.1050	[illegible]	-2.90	[illegible]	-2.90
France	7.9825 - 8.0275	[illegible] - 7.9925	[illegible]	[illegible]	[illegible]	-3.82
Sweden	[illegible] - 11.2250	11.2075 - 11.2175	[illegible]	-3.28	[illegible]	-2.90
Japan	169.25 - 170.75	[illegible] - 170.75	[illegible]	3.08	[illegible]	2.79
Austria	16.55 - 16.75	16.56 - 16.59	[illegible]	-1.63	[illegible]	-1.79
Switzerland	2.1600 - 2.1750	2.1600 - 2.1700	[illegible]	0.69	[illegible]	0.98
Ecu	1.2180 - 1.2245	1.2215 - 1.2225	0.31-0.35cdis	-3.24	1.00-1.07dis	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.80-1.75pm. 12 Month 2.83-2.73pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years 4⅛-4¼ per cent; three years 4⅞-4¾ per cent; four years 5⅜-5⅛ per cent; five years 5⅝-5½ per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Feb.23	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.459	2.352	170.2	7.987	2.165	2.650	2298	1.830	48.75	170.7	1.222
$	0.685	1	1.612	116.7	5.474	1.484	1.816	1575	1.254	33.41	117.0	0.838
DM	0.425	0.620	1	72.36	3.396	0.920	1.127	977.0	0.778	20.73	72.58	0.520
YEN	5.875	8.572	13.82	1000.	46.93	12.72	15.57	13502	10.75	286.4	1003	7.188
F Fr.	1.252	1.827	2.945	213.1	10.	2.711	3.318	2877	2.291	61.04	213.7	1.530
S Fr.	0.462	0.674	1.086	78.61	3.689	1	1.224	1061	0.845	22.52	78.85	0.564
H Fl.	0.377	0.551	0.888	64.23	3.014	0.817	1	867.2	0.691	18.40	64.42	0.461
Lira	0.435	0.635	1.023	74.06	3.476	0.942	1.153	1000.	0.796	21.21	74.28	0.532
C$	0.546	0.797	1.285	93.01	4.364	1.183	1.448	1256	1	26.64	93.28	0.668
B Fr.	2.051	2.993	4.825	349.1	16.38	4.441	5.436	4714	3.754	100.	350.2	2.507
Pta.	0.586	0.855	1.378	99.71	4.679	1.268	1.552	1346	1.072	28.56	100.	0.716
Ecu	0.818	1.194	1.925	139.3	6.536	1.772	2.169	1881	1.498	39.89	139.7	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
113	0.74	-	-	0.02	0.24	-
114	0.05	2.36	-	0.31	0.37	-
115	0.01	1.64	2.20	-	0.61	-
116	-	1.02	-	-	1.00	-
117	-	0.55	1.08	-	-	-
Open Int.	118,501	139,171	12,906	167,194	70,690	7,020

Estimated volume 41,703 † Total Open Interest 536,334
† All Yield & Open interest figures are for the previous day.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4590	1.4555	1.4488	1.4413	1.4312

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	15	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

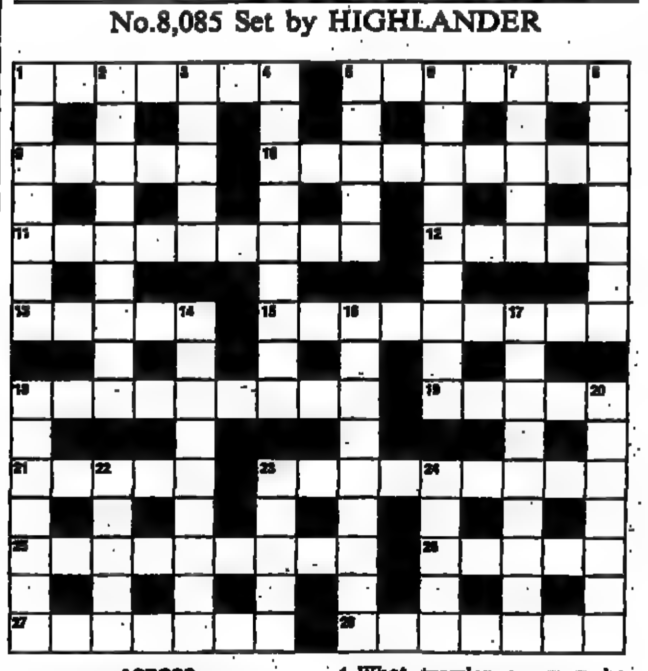
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.8,085 Set by HIGHLANDER



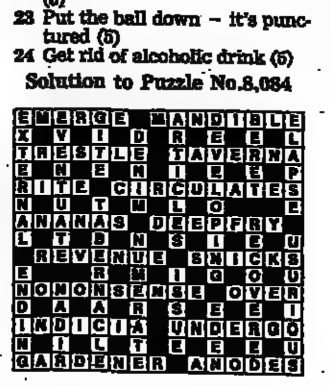
ACROSS

1 Criticise review organised by Irish county once (3,4)
5 Just before, closed some hospital rooms (7)
9 Could possibly reveal strength (5)
10 Brown and green variety includes one producing fruit (9)
11 Reprint original in Paris and translate (9)
12 Lived in vulgar backward time (5)
13 First to dine unfortunately overturned dish (5)
15 Make cloth before tea-break (9)
18 Did paper work in bed and pleased about it (9)
19 God old army spirit (5)
21 Subject has to choose – not king (5)
23 Welcomes mood created by some ice falling (9)
25 Unpredictable international group agreed (9)
26 Fool changes character at the end in a manner of speaking (5)
27 Improved in the morning then died (7)
28 Close connection with bed clothing (7)

DOWN

1 Stays with corpse (7)
2 Place of entertainment in which evening clobber is required? (9)
3 Mammal, very much warmer, has dropped its head (5)
4 What trawler crews make from catch? (3,6)
5 The empty trap principle (5)
6 Coaxing daughter into turning round (9)
7 Build up to pull down by the sound of it (5)
8 In retrospect, really frightening vision (7)
14 Devoted caddie goes off with Edward (9)
16 Unable to rise after plot is sat on and controlled (9)
17 Sun-god heard main point made by defence disputant (9)
18 A necessity when raising fruit (7)
20 Used to operate in war zone (7)
22 Bend in hors d'oeuvre stick (5)
23 Put the ball down – it's punctured (5)
24 Get rid of alcoholic drink (5)

Solution to Puzzle No.8,084



MONEY MARKETS

More ERM pressures

MONEY MARKET interest rates in both Spain and Denmark rose sharply yesterday as both the peseta and the Danish krone came under renewed pressures inside the European exchange rate mechanism, *writes James Blitz.*

The creakiness of the ERM continues to be the dominant theme in interest rate markets, despite recent easing in German monetary policy.

Yesterday the Spanish authorities were forced to nudge 1 month interest rates up to 20 per cent, as the peseta slipped to around Pta73.00 against the D-Mark.

Later in the day, the Bank of Spain hiked its intervention rate by 71 basis points to 15.32 per cent.

One month Danish krone were also quoted as high as 23 per cent, as the currency fell below DKr3.85 to the D-Mark in late European trading.

One London-based dealer said this augured badly for the Danish authorities, since they had only just cut the discount rate by 100 basis points to 10.5 per cent.

The problem for the authorities in both countries is that a policy of raising interest rates to support the currency carries little political credibility.

In Spain, unemployment is hovering around 20 per cent, and the government faces a general election in October. In Denmark, the chances of the country voting Yes in its second referendum in Maastricht next month may also be damaged by the punishingly high level of interest rates.

In France and Germany, dealers continued to scale down hopes for lower rates. The March Euromark contract yesterday closed down 8 basis points at 91.87.

Dealers are now assuming that 3-month money will be at 8.13 per cent by the middle of next month, only 17 basis points below yesterday's level.

Two Bundesbank money market interventions and a council meeting are due over the next two weeks. Many dealers think that an easing in rates is possible over this period.

However, the March French franc contract closed down 19 basis points, at 88.30, on expectations that pressure on the currency will remain intense until after next month's parliamentary elections in France. One month French interest rates were up at 12⅛ per cent yesterday from 11⅞ per cent the day before.

Sterling markets were quiet. Three-month sterling cash closed a little softer at 6⅛ per cent following the small shortage of £1bn forecast by the Bank of England.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.23) 3 months US dollars		6 months US Dollars	
bid 3⅛	offer 3¼	bid 3⅛	offer 3¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	2.73	Three year	4.40
Broker loan rate	5	Two month	2.87	Five year	5.22
Fed.funds	2¾	Three month	3.00	Seven year	5.65
Fed.funds at intervention	-	Six month	3.13	10-year	[illegible]
		One year	3.29	30-year	6.92
		Two year	3.94		

Feb.23	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.60-8.70	8.50-8.65	8.35-8.50	8.25-8.40	7.85-8.00	9.00
Paris	11⅞-11⅛	11⅞-12	-	11⅞-12⅛	-	9.10
Zurich	5⅛-5¼	5⅛-5⅜	-	5⅛-5⅜	-	-
Amsterdam	8.25-8.31	8.17-8.25	-	7.96-8.04	-	-
Tokyo	3⅛-3⅜	3⅜-3⅞	-	3⅜-3⅞	-	-
Milan	11⅛-11¾	11⅜-11⅞	-	11⅛-11⅞	-	-
Brussels	9⅛-9¼	9⅛-9⅜	-	8⅞-9	-	-
Dublin	12⅞-12⅞	14⅞-14⅞	13⅞-14	13⅞-14	12⅞-13	-

LONDON MONEY RATES

Feb 23	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	6⅛	6⅛	6⅜	6⅜	5⅞	5¾
Interbank Bid	2	5⅞	6⅛	6⅛	5⅞	5⅝
Sterling CDs	-	-	6⅛	6⅛	5⅞	5⅞
Local Authority Deps.	5¾	6	6⅛	6⅛	5⅞	5⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	4½	5⅞	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	6⅛	6⅛	5⅞	5⅞
Treasury Bills (Buy)	-	-	5⅞	5⅞	5⅞	-
Bank Bills (Buy)	-	-	5⅞	5⅞	5⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.00	3.06	3.13	3.36
SDR Linked Dep. Offer	-	-	5½	5⅞	5⅛	5⅛
SDR Linked Dep. Bid	-	-	5⅜	5⅜	5⅜	5
ECU Linked Dep. Offer	-	-	9⅜	9⅜	9⅜	8¾
ECU Linked Dep. Bid	-	-	9½	9⅜	8⅞	8½

Treasury Bills (sell): one-month 5⅞ per cent; three months 5⅞ per cent; six months 5⅞ per cent; Bank Bills (sell): one-month 5⅞ per cent; three months 5⅞ per cent; Treasury Bills; Average tender rate of discount 5.4134. ECGD Fixed Rate Sterling Export Finance. Make up day January 29, 1993. Agreed rates for period February 24, 1993 to March 23, 1993, Scheme I: 8.32 p.c. Schemes II & III: 8.20 p.c. Reference rate for period January 1, 1993 to January 29, 1993, Scheme IV&V: 7.0 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 7½ from February 1, 1993: Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 2¾ per cent; one-three months 5¼ per cent; three-six months 5 per cent; six-nine months 4¾ per cent; nine-twelve months 4½ per cent; Under £100,000 2¾ per cent from Jan.27, 1993. Deposits withdrawn for cash 1¼ per cent.

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | ITALY | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA

[illegible]

FRANCE

February 23	Frs.	+ or -
AGF	556	+3
Accor	717	-9
Air Liquide	773	+4
Alcatel Alsthom	843	-4
Axa	1,148	-27
BIC	1,116	-6
BSN	969	+5
BNP Cert Inv	502	+1

[illegible]

JAPAN

February 23	Yen	+ or -
Ajinomoto	1,200	-10
Akebono Brake Ind	501	-24
All Nippon Airways	976	-14
Alps Electric	640	
Amada Co	950	-15
Amano Corp	1,130	-20
Ando Construction	670	-8
Anritsu	741	-40
Aoki Corp	429	-2
Aoyama Trading	8,350	
Arabian Oil Co Ltd	3,600	
Asahi Bank	888	+3
Asahi Breweries	1,090	+10
Asahi Chemical	565	-4
Asahi Glass	966	+12
Asahi Optical	337	-4
Atics Corp	413	-3
Atsugi Nylon	514	-4
Banyu Pharm	762	
Bridgestone	1,150	-10
Brother Ind	385	

[illegible]

CANADA

TORONTO

4 pm close February 23

Quotations in cents unless marked $

[illegible]

MONTREAL

4 pm close February 23

[illegible]

INDICES

NEW YORK | STANDARD AND POOR'S | NEW YORK ACTIVE STOCKS | TRADING ACTIVITY | CANADA

[illegible]

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Feb 23	Feb 22	Feb 19	Feb 18	High	Low
M.S. Capital Intl (1/1/70) $	503.9*	506.4	503.7	500.5	642.10 (7/1/92)	467.50 (6/4/92)
Euro Top-100 (26/6/90)	915.07	923.34	922.29	919.80	976.55 (25/5/92)	772.52 (5/10/92)

**Saturday February 20: Taiwan Weighted Price 4,055.85, Korea Comp Ex. 662.07
♥ Subject to official recalculation.
GMT

*Calculated at 15.00

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

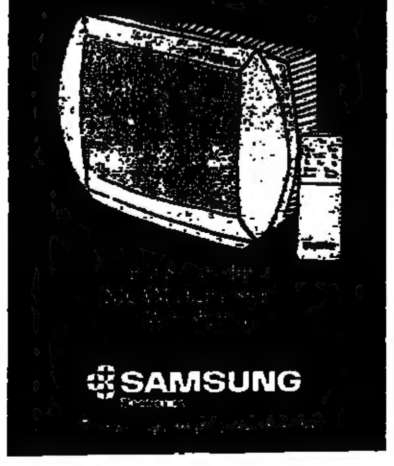
Tuesday, 23rd February, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Ito Yokado	6.0m	3,510	+10	Isuzu Motor	2.4m	355	+7
Gajoen Kanko	4.0m	292	+14	Meiji Seika	2.4m	695	+22
Shizuoka Bank	3.5m	1,300	+10	Toshiba Corp	2.3m	556	-4
Npn Steel Corp	3.0m	297	+1	Kawasaki Steel	2.1m	294	-1
Nen Kasei Chem	2.7m	380	+23	Sumitomo Mt Ind	1.9m	392	-2

4 pm close February 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992/93 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
15⅞	10¼	AAR Corp	0.48	4.0	22	488	12⅛	11¾	12	+¼
28½	18	A L Labs A	0.18	0.8	136	3490	22	20⅞	21⅞	+1
68¾	52⅝	AMP Inc	1.60	2.9	20	1170	55½	55¼	55¼	-¼
80¼	54⅞	AMR			8	4254	57½	56⅛	56½	
2⅝	1⅜	ARX			11	101	1⅞	1¾	1⅞	
59½	29⅞	ASA x	2.00	5.5	24	870	37	36	36⅞	+1
34¼	22⅝	Abbott Lab	0.60	2.5	16	27518	24¼	22⅞	24⅛	+1⅜
13⅝	10⅝	Abitibi Pr	0.50	4.8	3	42	10¾	10½	10½	-⅛
11⅝	10⅞	ACM Gvt In	0.96	8.5		257	11⅜	11¼	11¼	-⅛
10⅛	9	ACM GvOpp	0.80	8.5		90	9⅜	9¼	9⅜	+⅛
9¾	8½	ACM Gvt Sp	0.80	8.5		142	9½	9⅜	9⅜	-⅛
11⅛	9⅞	ACM Gvt Sc x	0.96	8.5		211	11	10¾	10⅞	
10⅝	8⅝	ACM Mun	1.08	10.4		275	10⅝	10¼	10⅜	
12⅛	8⅝	ACM Managd	0.78	8.5		132	9¼	9⅛	9⅛	
11¾	4¾	Acme Cleve	0.40	5.0	17	118	8	7⅞	8	+⅛
9¼	3¾	Acme Elect			775	82	7¾	7½	7¾	
33¼	12⅛	Acuson			11	888	12⅝	d12⅛	12⅜	
22¼	18⅛	Adams Expr x	0.48	2.2	1	201	22	21⅜	21½	-⅜
61½	28½	Ad Micro x	3.00	6.0		48	50½	49½	49¾	+1⅜
22½	7½	Ad Micro P	3.00	14.0	8	5350	22⅛	21⅝	21½	-⅛
9⅛	4⅞	Advest Grp	0.16	2.5	13	98	6½	6⅛	6⅜	
46¾	33	Aegon ADR	1.35	2.9	8	8	u46¼	46	46	-¼
53¾	38	Aetna Lf	2.76	6.1	13	4616	45¼	43⅞	45¼	+1¼
14½	6⅛	AFP A	0.24	1.9	30	588	12⅜	11⅞	12⅜	+½
36½	24	Aflac	0.44	1.3	15	738	34⅝	33¾	33⅞	-⅜
22⅞	13	Ahmanson	0.88	4.3	10	3205	21⅛	20¼	20⅝	+⅛
22½	4	Aileen Inc			10	735	6⅜	6	6⅜	+⅛
49½	36½	Air Pr Chem	0.85	2.0	17	3301	42¾	42	42½	+½
28¾	12½	Airbne Frt x	0.30	1.4	177	339	21¼	20⅝	21¼	+½
23⅞	11¼	Airgas Inc			31	280	23⅜	21⅞	22⅞	+½
12⅜	8⅛	Airlease	1.60	13.5	9	67	12	11¾	11⅞	
104	99	AlaPw8.16	8.16	8.0		z100	103½	103½	102⅝	
105½	100¼	Alab 8.28C	8.28	7.9		4	u105½	105½	105	-½
[illegible]										



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NYSE COMPOSITE PRICES

Continued from previous page

1992/93 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22⅝	14⅞	Ruddick	0.24	1.1	16	152	21⅝	21⅛	21⅝	-⅛
37	18	RussBarne	0.70	2.8	5	566	24⅞	24½	24¾	-⅛
40⅝	27¾	Russell Co	0.36	1.1	16	898	32⅝	31¾	32⅜	-⅛
32¼	19⅝	Ryder Syst	0.60	2.0	20	1798	30⅛	29½	29⅝	-½
28	18	Ryland Grp	0.60	3.0	11	651	20⅛	19⅜	19¾	-¼

- S -

1992/93 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21	16⅞	S Anita Rt	1.36	6.8	27	310	u21¼	20⅛	20⅛	
20⅝	13¾	SCOR US Cp	0.28	1.4	17	13	20¼	20⅛	20¼	+⅛
29½	19	SPS Techno	1.28	5.7	16	168	23¼	22⅜	22⅝	-⅝
15⅛	12⅛	Sabine Rlt x	1.25	9.5	10	152	13¼	13⅛	13⅛	-⅛
11⅞	7¾	Safecard	0.10	1.0	14	382	10½	10¼	10½	+⅛
23½	11⅛	Safeg'd Sc			10	151	21⅝	20⅛	21¼	+1¼
32¼	20	SafetyKln	0.36	1.7	28	1545	20¾	20⅛	20⅝	+⅜
20¼	6⅝	Safeway			13	1831	11⅝	10⅞	11⅜	-⅛
4⅝	2	SafewayWBS				627	2¼	d2	2⅛	-⅛
41⅞	29⅞	StJoePaper	0.20	0.5	44	179	39⅛	38⅜	39	+½
38	28⅞	StJosL&P	1.76	4.9	16	52	u36	35¾	36	+⅛
83¼	68½	St Paul's	2.80	3.7	19	2453	76⅜	75⅛	75½	-⅞
10	3⅞	Salant Crp			6	15	9¼	9	9	-⅛
76	45½	Sallie Mae x	1.20	2.4	11	12968	50¼	46⅝	49⅜	+2⅝
14⅞	13	Salomon Br	0.61	4.5		118	13¾	13⅝	13⅝	-⅛
41⅞	26¾	Salomoninc	0.64	1.6	9	2999	40⅞	39¾	39¾	-¼
26½	21¼	SanDgo G&E	1.44	5.5	14	1115	u26½	26	26⅜	-⅛
4⅝	2⅜	SantaFeEDu	0.40	9.4	47	3	4¼	4	4¼	+⅛
9⅞	7	SantaFeERs	0.16	1.7	137	482	u9⅞	9⅝	9⅝	
39¼	30¾	SantaFePac	2.80	7.5	13	124	37⅞	37⅛	37⅝	
15⅛	10⅝	SantaFeStb	0.10	0.7	39	3197	13⅝	13¼	13½	-⅛
32½	27	Sara Lee x	0.58	2.1	21	5016	28¼	27¾	28¼	+.03
45⅝	38⅝	Scana Corp	2.68	5.9	15	1160	u45⅞	45⅛	45¼	-⅛

[illegible]

NASDAQ NATIONAL MARKET

4 pm close February 23

[illegible]

AMEX COMPOSITE PRICES

4 pm close February 23

[illegible]

FINANCIAL TIMES Wednesday February 24 1993

AMERICA

Philip Morris eases on excise tax worries

Wall Street

US prices were mixed at mid-session yesterday in spite of a recovery in the healthcare sector, *writes Karen Zagor in New York.*

At 1 pm, the Dow Jones Industrial Average was up 5.67 at 3,340.66 after slipping more than 6 points in morning trading. The more broadly based Standard & Poor's 500 was 1.30 higher at 436.54, while the Amex composite added 0.36 to 399.65. Of the major market indices, only the Nasdaq composite lost ground, easing 0.27 to 652.14. Trading volume on the NYSE was more than 197m shares by 1 pm, and rises outnumbered declines by 959 to 902.

Among featured issues, Dean Witter Discover was quoted at $32½ in heavy mid-session trading. The initial public offering of 29.5m shares in the financial services company was priced at $27 late on Monday. Sears, parent of Dean Witter Discover, had expected a price of $23 to $25.

Shares in tobacco giant Philip Morris continued to sink, reflecting investor worries that the Clinton administration might impose an excise tax on cigarettes to help fund reform of the healthcare system. The stock fell $1¼ to $63¼ at midday.

Other tobacco stocks also lost ground including RJR Nabisco, off $⅛ at $7¼ and UST, down $⅛ to $25¾.

Pharmaceutical stocks, which have slumped on fears that President Bill Clinton's healthcare reforms will cut into profit growth, regained some of their recent losses. Merck was $⅝ higher at $37¼, Bristol-Myers Squibb rose $1⅛ to $55, Pfizer grew $2¼ to $56⅛ and Johnson & Johnson firmed $⅝ to $39⅝.

AFTER a third consecutive decline in 1992, US corporate profits are forecast to hit new heights in 1993 and 1994.

IBES, which tracks and collates analysts' forecasts, says that S & P 500 earnings on this basis are expected to increase by 23.4 per cent this year, to $28.76 a share, and by another 18.6 per cent to $34.12 in 1994.

Gains for the Dow components are expected to be 31.1 per cent, and 22.7 per cent respectively.

Mylan Laboratories, which plunged $4⅝ on Monday, was quoted $2⅝ higher at $27¼. The pharmaceutical products company said that it expects to turn in record revenue and earnings for its fiscal year ending in March.

Oil stocks, which led Monday's rally, were mixed in spite of further gains in crude oil futures. Chevron slid $¼ to $78⅞, Mobil added $⅜ to $67⅛, Texaco lost $⅜ to $62⅛ and British Petroleum's ADRs rose $⅜ to $48⅞.

Oil company stocks posted large gains on Monday reflecting strong crude oil and natural gas prices. At midsession yesterday, April crude oil was up 19 cents at $20.43 a barrel.

In Nasdaq trading, Synergen firmed $1½ to $15. A sell-off in the biotech company's stock on Monday spurred a broader sell-off in the biotech sector. Among other reviving Nasdaq biotech stocks, Amgen rose $2½ to $44, Chiron was up $1½ to $47½ and US Healthcare added $¾ to $39⅝.

Canada

TORONTO was firm in quiet midday dealings as strength in banking shares and gold stocks continued to bolster activity. The TSE-300 composite index was up 6.1 at 3,453.80 in light volume of 17.3m shares valued at C$173m. Advances led declines by 256 to 211 with 250 issues unchanged.

Bank stocks rose following a report by Salomon Brothers upgrading most of the sector to buy from hold. Toronto-Dominion Bank advanced C$⅛ to C$16⅝ while Canadian Imperial Bank of Commerce rose C$⅛ to C$27½ in brisk turnover.

Gold shares strengthened on gains in bullion prices with American Barrick adding C$⅝ to C$21⅝ and Placer Dome C$¼ firmer at C$17½.

Pre-budget blues vanish in Bombay equity rally

But political worries remain, writes R.C. Murthy

Each February, pre-budget blues grip Indian equity markets as investors fret over possible increases in excise duties and taxes. Share prices tend to drift in a narrow range and trading contracts as traders refrain from committing themselves.

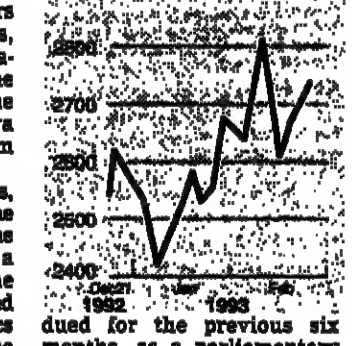
However, this year, things are different – and anything but dull. The month started with shares rising sharply in the hope that the budget for the fiscal year from April 1 will boost the market, rather than deflate it.

Far from worrying about possible tax increases, traders talked excitedly of tax cuts, and growth-promoting measures. The violence, and the political crisis following the destruction of the Ayodhya mosque almost slipped from investors' minds.

But in the past two weeks, politics has come back to the fore, putting equities into some confusion with a fall, and a subsequent recovery. The mood now is finely balanced between worries about politics – including the stability of the government at New Delhi. There are also hopes that, after two years of stagnation, the economy is set for sustained growth.

Speculation has intensified on stock exchange floors about the tax cuts and incentives which the PV Narasimha Rao administration plans to introduce in the budget to be presented on February 27. Import tariffs are expected to be cut on a wide front and the finance minister has before him an expert committee suggestion that corporate tax should be lowered to 30 per cent, from 42.5 per cent at present.

Fertiliser shares and scrips of a dozen export-oriented companies led the rally earlier this month on the Bombay stock exchange, India's largest, accounting for two-thirds of national trading. The BSE 30-share index jumped by more than 160 points to a three-month peak of 2,812.



The market had been subdued for the previous six months, as a parliamentary committee probed the Rs35bn securities scandal involving Mr Harshad Mehta, the ultra-bullish broker who helped to lift share values to an all-time peak of 4,500 last April.

In the recent short bull run, Zuari Agrochemicals jumped by 10 per cent while Gujarat State Fertilisers and Gujarat Narmada Fertilisers were up by 8 per cent on reports of budget incentives to boost fertiliser production.

Bombay Dyeing and the Birla-owned Century Textiles posted a 7 per cent increase. Textiles, and other exporting companies wallowed on expectations of the rupee being made fully convertible for trade transactions.

The Indian currency has shown weakness against the US dollar on foreign exchange markets recently, and a switch from the present dual exchange rate, if announced in the budget, would give a bonanza to exporters.

But the market was jolted and the rally aborted some two weeks ago by three major political events.

First, the Bharatiya Janata party, which was responsible for the destruction of Babri Mosque at Ayodhya in December, expressed its determination to press ahead with a banned meeting in New Delhi tomorrow, triggering apprehension about renewed violence.

Secondly, demands for the removal of the chief minister of Maharashtra province, Mr SA Naik, a protégé of Mr Narasimha Rao, have been intensified. And, finally, relations between Congress and the local party which rules the southern state of Tamil Nadu, whose support is vital for the survival of the prime minister, have soured.

Share prices tumbled 140 points early this week but recovered some ground on Wednesday as the political situation thawed. "The (stock) market is poised for a rise," says Mr M.R. Mayya, BSE executive director. "It all depends on political developments."

EUROPE

Chemicals join drugs on downgrade

THE decline in pharmaceuticals continued yesterday, joined by caution about the imminent chemical companies reporting season, *writes Our Markets Staff.*

FRANKFURT saw a drop of 19.16 in the DAX index as turnover rose from DM5.4bn to DM5.8bn. The biggest falls were in Mannesmann, and the big three chemicals as the results season approached. Mannesmann said that 1992 profits would be sharply down on 1991, and the shares fell DM7.70 to DM247 after a string of downgrades from analysts.

Bayer had the worst fall among chemicals, DM7.80 to DM273.80, with Hoechst DM5.40 lower at DM264.90 and BASF down DM5.30 at DM228.70. For European chemicals as a group, Goldman Sachs expected a generally poor 1992 final quarter and warnings over prospects for 1993.

The brokers expected dividend cuts from BASF and Hoechst: "Bayer has no financial reason to cut", they wrote, "but may feel the need to make a gesture for socio-political reasons." One of the team, Mr Mark Tracey, added that stocks with drugs exposure were catching a cold from the Clinton reforms and their consequences in the US market.

STOCKHOLM saw further heavy US selling of Astra which left the B shares down another SKr20 on the day at SKr655 for a fall of 5.7 per cent since the group announced its 1992 results on Monday.

Mr David Longmuir of James Capel said that Astra was likely to remain volatile over the next few days. US investors, he said, were concerned at the effect President Bill Clinton's proposals to regulate healthcare pricing, due to be announced in May, would have on the sector. The Affärsvärlden general index lost 8.1 to 987.9 with turnover in Astra accounting for some SKr425m of the SKr1.1bn total.

Handelsbanken clawed back some of an early fall on a heavy 1992 loss, the B shares closing SKr2.50 lower at SKr45.50 after a day's low of SKr41.00. Loan losses of 2.8 per cent of total lending compared well with an average of some 6 per cent for the sector as a whole.

PARIS eased on a rise in short term interest rates, triggered by a weaker franc, and sporadic profit-taking. The CAC-40 index declined 15.10 to 1,944.13, after a high of 1,966 and a low of 1,938, as turnover remained resilient at FFr2.bn.

LVMH was downgraded by brokers James Capel after announcing that it had cut the retail price of some of its champagne labels in France, Switzerland and Germany.

Mr Louic Morvan of Capel, in Paris, said that he had lowered his EPS estimates from FFr212.50 to FFr203.00 for 1993, and from FFr239.20 to FFr229.60 for 1994. The shares dipped FFr86 to FFr3,265. He added that the change in pricing policy was an attempt to maintain market share and to counter imports, particularly of Italian sparkling wines, which benefited from devaluation.

ZURICH continued to be undermined by sales of pharmaceutical stocks as domestic investors took a lead from their US counterparts, and the SMI index shed 45.4. or 2.1 per cent to 2,050.4.

Sandoz was among the hardest hit, falling SFr150 or 5 per cent to SFr2,990. Roche shed SFr180 to SFr3,830 while Ciba-Geigy was SFr18 lower at SFr628. Banks and insurers also declined in spite of further reductions in domestic interest rates. Union Bank fell SFr7 to SFr936, CS Holding dipped SFr20 to SFr2,140 and Zurich Insurance declined SFr30 to SFr2,200.

MILAN was again overshadowed by political worries but an unexpected rebound by Fiat, as investors shrugged off Monday's arrest of two executives, helped the market ahead. The Comit index rose 1.02 to 502.94.

The decision by the prime minister, Mr Giuliano Amato, to call a confidence vote later in the week did little to assuage the uncertainty which has left the lira sinking against the D-mark.

Fiat dominated trading with domestic buyers turning out in force. The shares fixed L45 lower at L5,305 but then bounced back to L5,440 in late business.

MADRID's equities followed Monday's slide in Spanish bonds, as pressure mounted against the peseta. The Bank of Spain's decision to leave its benchmark interest rate untouched at 13.00 per cent at a securities repurchase tender early in the day failed to reassure investors, and the general index closed 4.46, or 1.9 per cent lower at 227.92.

AMSTERDAM was flat on the day with the CBS Tendency index at 100.1, but Philips closed off 90 cents at Fl 22.60 after the group said that it was to consolidate Grundig, the German electronics company, in its 1992 accounts. Unilever advanced Fl 3.10 to Fl 199.40 after its 1992 results were well received.

COPENHAGEN saw a fall in the biotechnology group, Novo, and higher domestic money market rates. The KFX index lost 0.87 to 83.38.

Novo fell DKr16 to DKr580, in line with the lower trend in European pharmaceutical issues.

FT-SE Actuaries Share Indices

February 23 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1132.06	1130.89	1129.78	1125.08	1124.88	1123.42	1122.25	1119.41
FT-SE Eurotrack 200	1193.92	1190.29	1189.40	1184.82	1184.34	1181.47	1181.10	1178.69

	Feb 22	Feb 19	Feb 18	Feb 17	Feb 16
FT-SE Eurotrack 100	1132.76	1136.60	1132.95	1121.77	1123.14
FT-SE Eurotrack 200	1190.84	1191.09	1191.03	1173.51	1179.54

Base value 1000 (26/10/90) High/day: 100 - 1132.92 200 - 1193.91 Low/day: 100 - 1119.09 200 - 1177.11.

ASIA PACIFIC

Budget hopes take Singapore to record high

Tokyo

VOLATILITY in the currency markets, ahead of the Group of Seven finance ministers meeting this weekend, gave investors an excuse to remain inactive and prices gained marginal ground after moving within a tight range, *writes Emiko Terazono in Tokyo.*

The Nikkei index closed up 42.54 at 16,863.15 after moving between 16,925.15 and 16,794.12, fluctuating on index-linked trading. Volume fell from 215m to 200m shares; declines led advances by 567 to 344 with 205 unchanged; the Topix index of all first section stocks fell 2.60 to 1,281.31 and, in London, the ISE/Nikkei 50 index fell by 0.80 to 1,204.25.

Trading remained dull as most investors focused on yen-dollar currency movements. The yen closed up Y0.07 at Y116.78 after hitting an all-time best of Y115.90-94 in New York. While the yen's rise in Tokyo was checked by financial authorities hinting at possible intervention, traders said that investors will remain on the sidelines ahead of Saturday's G7 meeting in London.

Dealers were also quiet as yesterday was the last trading day for February settlements. Meanwhile, a plunge in the balance of margin stock buying reflected weak sentiment among individual investors. The Tokyo Stock Exchange said that margin buying fell to a 10-year low as positions bought on margin were liquidated ahead of margin settlements in March.

The oil sector was the main loser, dragged down by Showa Shell Sekiyu. The affiliate of Royal Dutch Shell plunged by its daily limit of Y200 to Y1,000 on concerns over its foreign exchange losses, announced over the weekend. Other oil stocks were also weak with Nippon Oil down Y3 to Y590 and Mitsubishi Oil down Y26 to Y859.

Exporters continued to weaken on the higher yen. Hitachi fell Y5 to Y671 and Toshiba retreated Y4 to Y556. Toyota Motor lost Y10 to Y1,330. However, gas utilities, which depend on imports, were firm, with Tokyo Gas up Y5 to Y411 and Osaka Gas advancing Y5 to Y427.

Nippon Telegraph and Telephone fell Y6,000 to Y613,000 on reports that it would cut 30,000 employees by encouraging early retirement and transfers to affiliates.

In Osaka, the OSE average fell 157.28 to 18,136.01 in 79.8m shares. Nintendo, the video game maker, fell Y180 to Y9,920 on fears of lower profits due to the higher yen.

Roundup

PACIFIC Rim markets took their lead from domestic developments and turned in mixed performances.

SINGAPORE built up its hopes that Friday's budget would prove positive for business and investors alike and shares gathered momentum to close at a record high.

The Straits Times Industrial index rose 21.45, or 1.3 per cent, to 1,661.32 in volume that swelled to 175.8m shares. The mood was also buoyed by expectations of strong fourth quarter domestic product growth data, due today.

HONG KONG moved in the opposite direction, profit-taking leaving the Hang Seng index 82.69, or 1.3 per cent, lower at 6,149.19 in turnover of HK$2.82bn.

The heavily oversubscribed Denway Investment lost 15 cents to HK$2.05 on its second day of trading.

AUSTRALIA saw the All Ordinaries index close 3.3 higher at 1,608.3 in turnover of A$319m. Trade was boosted by Pancontinental Mining, 4 cents higher at 99 cents, after French group Cogema sold its 10 per cent stake in the miner for A$24.4m. On Monday, Degussa, the German chemical group, sold its 10 per cent stake for A$21.1m.

TAIWAN spent a volatile session with heavy profit-taking in the last half-hour erasing early gains. The weighted index, which briefly broke above 4,200 points at mid-morning, ended 26.95 down at 4,071.49.

Parliamentary confirmation of Lien Chan as the next premier came shortly after the market closed.

BANGKOK saw rumours resurface that the market could face further official investigations into share price manipulation. The SET index ended 0.46 higher at 946.08.

SOUTH AFRICA

EQUITIES were subdued as the financial rand weakened. The overall index lost 16 to 3,447 while the industrial index shed 9 to 4,503. The gold index lost 6 to 1,008 with Vaal Reefs down R1 at R181 and Kloof losing 25 cents to R32.75.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY FEBRUARY 22 1993								FRIDAY FEBRUARY 19 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	129.46	+0.9	131.91	95.21	109.61	124.98	+0.8	3.93	128.28	130.89	96.58	109.11	123.95	153.68	108.18	144.68
Austria (18)	147.53	+1.7	150.33	108.50	124.91	125.09	+1.4	1.79	145.13	148.09	109.27	123.44	123.37	186.70	131.16	185.68
Belgium (42)	141.88	+0.4	144.57	104.34	120.12	117.74	+0.3	5.13	141.31	144.19	106.39	120.19	117.44	152.27	131.19	138.55
Canada (113)	119.11	+0.3	121.37	87.60	100.84	108.85	+0.7	3.03	118.75	121.17	89.40	101.00	108.05	142.12	111.36	134.44
Denmark (33)	207.23	+0.6	211.16	152.41	175.45	176.30	+0.4	1.55	206.23	210.42	155.26	175.40	175.51	273.94	181.70	247.89
Finland (23)	70.01	+0.4	71.34	51.49	59.28	86.10	+0.1	1.53	69.70	71.12	52.48	59.29	86.02	89.80	52.84	88.55
France (98)	157.28	+1.4	160.26	115.67	133.15	136.31	+1.1	3.29	155.10	158.26	116.76	131.91	134.79	168.75	136.93	154.67
Germany (62)	113.32	+0.6	115.47	83.36	95.94	95.94	+0.2	2.39	112.60	114.89	84.78	95.77	95.77	129.69	101.59	118.69
Hong Kong (55)	250.66	+1.3	255.41	184.35	212.23	248.77	+1.3	3.63	247.39	252.43	186.25	210.43	245.60	262.28	176.36	195.68
Ireland (16)	134.46	+1.8	137.01	98.89	113.84	126.68	+1.7	4.19	132.04	134.73	99.41	112.30	124.57	173.71	122.98	163.14
Italy (75)	58.91	-0.9	60.03	43.32	49.87	69.29	-0.6	2.99	59.45	60.66	44.75	50.56	69.68	80.86	47.47	75.65
Japan (472)	110.60	+1.5	112.70	81.34	93.65	81.34	-0.8	1.02	108.95	111.16	82.02	92.68	82.02	140.95	87.27	116.95
Malaysia (69)	271.74	+1.0	276.89	199.85	230.06	275.09	+1.1	2.43	268.98	274.46	202.50	228.78	272.14	282.42	212.49	248.10
Mexico (18)	1487.17	+1.0	1515.37	1093.77	1259.12	5030.42	+1.0	1.19	1472.36	1502.34	1108.47	1252.32	4980.73	1789.77	1185.84	1683.80
Netherland (25)	160.18	+0.9	163.22	117.81	135.62	133.97	+0.4	4.25	158.82	162.05	119.57	135.09	133.45	169.70	147.88	160.68
New Zealand (13)	44.19	-0.5	45.03	32.50	37.41	45.26	-1.0	4.83	44.43	45.33	33.45	37.79	45.69	48.52	37.39	45.52
Norway (22)	143.54	+1.3	146.26	105.57	121.53	135.36	+1.4	1.94	141.73	144.62	106.70	120.55	133.51	192.95	128.05	162.53
Singapore (38)	221.16	+0.7	225.38	162.67	187.26	167.26	+0.5	1.97	219.58	224.05	165.31	186.76	166.36	229.63	179.65	220.28
South Africa (60)	169.02	-0.9	172.22	124.30	143.10	167.22	-0.6	3.03	170.60	174.07	128.43	145.10	168.26	283.60	134.21	218.71
Spain (47)	123.78	-1.7	126.13	91.04	104.80	111.40	-0.4	5.46	125.92	128.48	94.80	107.10	111.85	161.72	107.10	155.52
Sweden (36)	163.41	-0.1	166.51	120.19	138.36	183.73	+0.4	2.17	163.57	166.90	123.15	139.13	182.95	200.28	149.69	174.91
Switzerland (56)	112.03	-0.4	114.15	82.40	94.86	104.18	-0.9	2.06	112.43	114.72	84.65	95.64	105.11	122.37	95.99	99.19
United Kingdom (226)	166.77	+0.1	169.93	122.64	141.18	169.93	-0.1	4.33	166.64	170.04	125.44	141.72	170.04	200.07	161.86	178.43
USA (522)	177.55	+0.2	180.92	130.59	150.33	177.55	+0.2	2.85	177.23	180.84	133.43	150.75	177.23	183.74	160.92	168.10
Europe (779)	138.53	+0.3	141.16	101.89	117.29	130.68	+0.1	3.59	138.16	140.97	104.01	117.51	130.52	156.88	131.31	145.51
Nordic (114)	151.45	+0.2	154.32	111.39	128.22	149.39	+0.5	1.94	151.18	154.25	113.81	128.58	148.70	188.52	141.24	173.63
Pacific Basin (715)	115.81	+1.5	118.01	85.18	98.06	87.77	-0.8	1.35	114.15	116.48	85.94	97.10	88.29	141.97	98.70	120.50
Euro – Pacific (1494)	124.99	+0.9	127.36	91.92	105.82	104.75	-0.3	2.36	123.85	126.38	93.24	105.34	105.02	145.21	113.80	130.77
North America (635)	173.92	+0.2	177.22	127.93	147.28	172.89	+0.2	2.86	173.59	177.13	130.70	147.68	172.53	179.56	158.70	165.98
Europe Ex. UK (553)	120.76	+0.4	123.05	88.83	102.26	108.75	+0.2	3.06	120.27	122.72	90.57	102.32	108.49	132.98	111.33	125.39
Pacific Ex. Japan (243)	166.95	+1.0	170.12	122.81	141.37	154.57	+1.0	3.47	165.26	168.63	124.44	140.58	153.10	175.31	146.06	155.63
World Ex. US (1685)	126.09	+0.9	128.48	92.74	106.76	106.77	-0.2	2.38	125.01	127.55	94.12	106.33	107.02	146.91	115.99	132.85
World Ex. UK (1981)	140.16	+0.6	142.81	103.09	118.67	124.49	-0.1	2.38	139.27	142.10	104.85	118.46	124.58	150.58	127.21	140.44
World Ex. So. Af. (2147)	142.40	+0.6	145.10	104.74	120.57	128.11	+0.0	2.57	141.55	144.44	106.58	120.41	128.18	153.06	130.04	143.28
World Ex. Japan (1735)	160.70	+0.3	163.74	118.20	136.07	156.07	+0.2	3.13	160.29	163.55	120.68	136.35	155.74	165.40	151.93	159.23
The World Index (2207)	142.48	+0.6	145.18	104.79	120.64	128.48	-0.1	2.58	141.66	144.54	106.65	120.49	128.55	153.70	130.66	143.74

Constituent change with effect 24/2/93: Deletion: Aragonesas (Spain). Latest prices were unavailable for this edition.